

RESEARCH COUNCILS' PENSION SCHEMES ACCOUNTS 2006-2007

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RESEARCH COUNCILS' PENSION SCHEMES ACCOUNTS 2006-07

Report of the Manager

Statutory Background

- 1 The schemes' statements have been prepared in accordance with the relevant provisions of the 2006/07 Government Financial Reporting Manual (FRM) www.financial-reporting.gov.uk/ issued by the Treasury.

Description of Pension Schemes

- 2 A Partnership Pension Account was made available to new staff from 1 October 2002, based on the portable Stakeholder Pension introduced by the Government in 2001. This is a defined contributions scheme. The employers pay the RCPS 0.8% of pensionable pay to cover death in service and ill health benefits. The employers pay the balance to the employee's private pension provider.
- 3 The other schemes provide retirement and related benefits based on individual final emoluments by analogy to the Principal Civil Service Pension Scheme (PCSPS). From 1 October 2002, the Premium Scheme is the only final emoluments scheme available to new staff. The Premium Scheme has a member contribution rate of 3.5% and provides a pension based on 1/60th of salary but without an automatic lump sum. Members joining from 1 April 1994 until 30 September 2002 entered what is now known as the Classic Scheme. This provides a pension based on 1/80th of salary and an automatic lump sum. The Classic member contribution rate is only 1.5% as there are fewer benefits than the Premium Scheme. Some members are in an amalgam of the two schemes known as Classic Plus.
- 4 The final emolument Schemes are operated on a pay-as-you-go basis and principally funded by employers' contributions from member Research Councils. The employers' contribution rate is currently 21.3%. Any annual shortfall forecast between cash outgoings and cash contribution received is met by grant-in-aid from Request for Resources 2 (RfR2) received through the Research Councils' sponsoring body, the Department of Trade and Industry.

Eligible Staff

- 5 All permanent employees of the Research Councils are eligible to join the Premium Scheme or pay into a Partnership Pension Account.

Information for Members

- 6 The JSS website <http://jsspensions.org.uk> gives more information.

Accounting Officer

- 7 The Chief Executive of the Biotechnology and Biological Sciences Research Council (BBSRC) is Accounting Officer for BBSRC and the Research Councils' Pension Schemes.

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Administrators

- 8 The Schemes are administered by the Research Councils' Joint Superannuation Service - a unit within BBSRC.

Actuaries

- 9 The Government Actuary's Department (GAD) are the appointed actuaries for the Research Councils' Pension Schemes.

Bankers

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

Auditors

- 11 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. The audit fee payable is £29,000 (2005-06: £27,000). In so far as the Accounting Officer is aware, there is no relevant audit information of which the Research Councils' Pension Schemes' auditors are unaware, and the Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the Research Councils' Pension Schemes' auditors are aware of that information.

Employers

- 12
- Biotechnology and Biological Sciences Research Council and its sponsored institutes
 - Engineering and Physical Sciences Research Council
 - Economic and Social Research Council
 - Natural Environment Research Council
 - Particle Physics and Astronomy Research Council.
 - Council for the Central Laboratory of the Research Councils

RESEARCH COUNCILS' PENSION SCHEMES ACCOUNTS 2006-07**Changes**

- 13 A number of changes came in on 6 April 2006 ("A" Day) as a result of new tax rules. An example is that members of the Classic Scheme leaving on compulsory or flexible early retirement terms now have an additional choice of compensation benefit arrangements. The original package remains in place but members can now choose between this and the package that is applicable for Premium and Classic plus scheme members. The additional choice was brought in following the HMRC ruling (effective from 6th April 2006) that once a member is paid their tax free pension lump sum, all further regular payments are classed as pension. Classic scheme members leaving on the original compulsory or flexible retirement terms immediately receive their tax free pension lump sums. All further payments up to age 60 that were formerly unaffected by a Pension Sharing order would now be reduced by such an order. The Premium Scheme compensation arrangement delays the payment of the tax free pension lump sum until age 60 so by providing this option to Classic Scheme members a Pension Sharing order need not affect the member until their pension age of 60. Another change resulting from "A" Day was that a revision to a member's tax free pension lump sum, say following a delayed pay award, has to be paid within 3 months or the lump sum must be commuted to additional pension.
- 14 The 2007/08 Pension Accounts will include the SEERAD pension scheme, which merged into the Research Councils' Pension Scheme on 1st April 2007 and results in an increase of membership numbers of roughly 20%. In addition a new scheme arrangement will come into being for new entrants on 1st July 2007. This scheme arrangement will have a pension age of 65 and will be known as 'NUVOS'. It will also differ from the current scheme arrangements as it will be a career average scheme. Current scheme members will be unaffected by the introduction of the new scheme.

Additional Voluntary Contributions

- 15 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.

Events Since the End of the Financial Year

- 16 There were no reportable post balance sheet events between the balance sheet date and the date that these accounts have been signed. The accounts do not reflect events after this date.

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Pension Scheme Membership

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	31 March 2007 No.	31 March 2006 No.
New Schemes		
Current Members in Service	7,666	7,942
Pensions in Payment	2,938	2,648
Early Retirements	456	466
Preserved Pensions	4,750	4,399
Total	15,810	15,455
Old Schemes		
Pensions in Payment	5,503	5,506
Annual Compensation Payments	0	24
Preserved Pensions	2,392	2,563
Total	7,895	8,093
GRAND TOTAL	23,705	23,548
	2006-07 No.	2005-06 No.
Members in Service at 1 April	7,942	8,188
Adjustment resulting from changes notified in current year	(31)	19
Adjusted figure for 1 April	7,911	8,207
New Members in year	619	628
Leavers and Retirements in year	(864)	(893)
Members in Service at 31 March	7,666	7,942
	31 March 2007 No.	31 March 2006 No.
Classic Scheme	4,447	4,932
Classic Plus Scheme	361	400
Premium Scheme	2,858	2,610
Members in Service at 31 March	7,666	7,942
Holders of Partnership Pension Accounts	110	94

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Enquiries

- 18 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.

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

Date: 29 June 2007

RESEARCH COUNCILS' PENSION SCHEMES ACCOUNTS 2006-07**ACTUARIAL STATEMENT FOR THE RESEARCH COUNCIL PENSION SCHEME FOR ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007****A. Liabilities**

The capitalised value as at 31 March 2007 of expected future benefit payments under the Research Council Pension Scheme (RCPS), for benefits accrued in respect of employment (or former employment) prior to 31 March 2007, has been assessed to be £2,515 million, using the methodology and assumptions set out in Sections C and D below. The results are broken down, between the various categories of members and the active and closed schemes, as follows:

Active schemes	<u>£ million</u>
Active members	1,075
Current pensioners	520
Deferred members	<u>400</u>
Total	1,995
Closed schemes	<u>£ million</u>
Current pensioners	425
Deferred members	<u>95</u>
Total	520

B. 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/Classic Plus scheme, with the employer meeting the balance of the cost. The cost of benefits accruing in the year 2006/2007 has been assessed as follows:

	% of pensionable pay
Employer's share of standard cost	22.7%

The standard cost is the ongoing (long term) cost of the scheme calculated on the actuarial assumptions before adjustment for any surplus/deficit in the scheme.

The Employer's share of the standard cost above is calculated on the accounting basis at the beginning of the accounting year. The employer's recommended contribution rate of 21.3% was set from 1 April 2005 following the completion of the valuation as at 31 March 2002. The employer recommended contribution rate reflects the implementation of the Treasury's SCAPE (Superannuation Contributions Adjusted for Past Experience) methodology for actuarial valuations of unfunded public sector pension schemes, the updating of the actuarial assumptions and the actual experience of the scheme as at 31 March 2002.

RESEARCH COUNCILS' PENSION SCHEMES ACCOUNTS 2006-07

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 2006/2007 and using the rates of contribution described, the employer's charges in cash terms are £51million.

C. 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 accounting basis as at 31 March 2007. The standard contribution rate for accruing costs has also been determined with reference to the rate calculated in the 31 March 2004 valuation.

D. Assumptions

The assessments have been prepared in accordance with the Finance Reporting Manual requirements as set out by HM Treasury. These include a discount rate net of price increases of 1.8% p.a. (pension benefits under the scheme are increased in line with the Retail Price Index).

In addition I have assumed that investment return in excess of earnings increases is 0.3% p.a. The main financial assumptions expressed in nominal terms are:

- A rate of earnings increases will be 4.3% p.a. excluding promotional and performance increments
- A long term nominal discount rate of 4.6% p.a.
- A rate of long-term inflation and pensions increases of 2.75% p.a.

The demographic assumptions adopted for the assessments are based on those used in the interim actuarial valuation of the scheme as at 31 March 2004, except for the future pensioners' mortality which has been updated to reflect continuing improvement in life expectancy.

E. Notes

(1) The data for this assessment was gathered from the JSS pension administrators and relates to 31 December 2006. The data has been compared with information obtained for the RCPS mini valuation as at 31 March 2004, in order to confirm its reliability.

Stephen Humphrey
Fellow of the Institute of Actuaries
3 April 2007
Government Actuary's Department, London

RESEARCH COUNCILS' PENSION SCHEMES ACCOUNTS 2006-07**Statement of Accounting Officer's Responsibilities**

Under the Science and Technology Act 1965, the Secretary of State for Trade and Industry, with the consent of the Treasury has directed the Research Councils' Pension Schemes to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The combined financial statements are prepared on an accruals basis and must give a true and fair view of the financial transactions of the schemes during the year and the disposition, at the end of the financial year, of the net liabilities.

In preparing the financial statements, 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 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, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

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

RESEARCH COUNCILS' PENSION SCHEMES ACCOUNTS 2006-07

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 the 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 2007 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. The Research Councils' Internal Audit Service (RCIAS) review the key risks to the RCPS on an annual basis. During 2006/07 the RCIAS has conducted audits of the newly developed pensions database. A 5 year internal audit plan was developed to replace the annualised audit to allow for a more comprehensive review of the RCPS.

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 reviews the Accounts of the Research Councils' Pensions Schemes.

RESEARCH COUNCILS' PENSION SCHEMES ACCOUNTS 2006-07

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

I certify that I have audited the financial statements of the Research Councils' Pension Schemes for the year ended 31 March 2007 under the Science and Technology Act 1965. These comprise the Combined Revenue Account and Statement of Recognised Gains and Losses, the Combined Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the Report of the Manager and 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 financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with Secretary of State for Trade and Industry directions issued under the Science and Technology Act 1965. I also report 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.

In addition, I report to you if the Schemes have not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Scheme's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Scheme's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Report of the Manager and consider whether it is consistent with the audited financial statements and the actuarial statement. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My 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 judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Research Councils' Pension Schemes' circumstances, consistently applied and adequately disclosed.

RESEARCH COUNCILS' PENSION SCHEMES ACCOUNTS 2006-07

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 fraud or error 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.

Opinions

In my opinion:

- the financial statements give a true and fair view in accordance with the Science and Technology Act 1965 and directions made thereunder by the Secretary of State for Trade and Industry, of the amount and disposition of the scheme's assets and liabilities as at 31 March 2007, the net outgoings, recognised gains and losses and cashflows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Secretary of State for Trade and Industry directions issued under the Science and Technology Act 1965.

Audit opinion on Regularity

In my opinion, in all material aspects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

Date: 18 July 2007

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

RESEARCH COUNCILS' PENSION SCHEMES ACCOUNTS 2006-07

Combined Revenue Account for the year ended 31/03/2007

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	Notes	<u>2006-07</u>	<u>2006-07</u>	<u>2005-06</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Principal Arrangements - Research Councils' Pension Schemes				
Income				
Contributions receivable	3		54,773	53,915
Transfers in: individuals			2,530	3,831
Other pension income			83	133
			<u>57,386</u>	<u>57,879</u>
Outgoings				
Pension cost	4	55,000		55,000
Transfers out	5	4,959		4,797
Interest on scheme liabilities		105,000		101,000
Administration Costs	6	617		677
			<u>(165,576)</u>	<u>(161,474)</u>
Net outgoings for the year			<u>(108,190)</u>	<u>(103,595)</u>
Agency Arrangements				
Early Retirement Lump Sum payments		3,833		3,952
Less Recoveries		<u>(3,833)</u>		(3,952)
Combined net outgoings for the year			<u>(108,190)</u>	<u>(103,595)</u>

All activities are regarded as continuing.

The notes on pages 15 to 23 form part of these accounts.

Statement of Recognised Gains and Losses for the year ended 31/03/2007

	Notes	<u>2006-07</u>	<u>2006-07</u>	<u>2005-06</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Deficit for the year			(108,190)	<u>(103,595)</u>
Recalculation of closing / opening provision	10.06	(430,000)		(255,000)
Actuarial (losses)/gains	10.09	<u>(49,157)</u>		21,729
			<u>(479,157)</u>	<u>(233,271)</u>
Total Recognised Losses for the year			<u>(587,347)</u>	<u>(336,866)</u>

The notes on pages 15 to 23 form part of these accounts.

Combined Balance Sheet as at 31/03/2007

	Notes	31 March 2007	31 March 2006
		£'000	£'000
Current Assets and Liabilities			
Debtors	7	348	1,135
Cash at bank and in hand	8	2,186	1,091
		2,534	2,226
Less: Creditors (amounts falling due within one year)	9	(217)	(92)
Net Current assets, excluding pension liability		2,317	2,134
Pension liability	10	(2,515,000)	(1,945,000)
Net liabilities, including pension liabilities		(2,512,683)	(1,942,866)
Agency arrangements - Early Retirement Lump Sums			
Debtors	11	652	1,026
Combined schemes - total net liabilities		(2,512,031)	(1,941,840)
Taxpayers' equity			
General fund	12	(2,512,031)	(1,941,840)

Professor Julia Goodfellow CBE, Chief Executive BBSRC, Accounting Officer
Date: 29 June 2007

The notes on pages 15 to 23 form part of these accounts.

Cash Flow Statement for the year ended 31/03/2007

	Notes	2006-07	2005-06
		£'000	£'000
Net cash outflow from operating activities	13	(16,061)	(14,998)
Net central funding	12	17,156	15,047
		1,095	49
Increases in cash		1,095	49

The notes on pages 15 to 23 form part of these accounts.

RESEARCH COUNCILS' PENSION SCHEMES ACCOUNTS 2006-07

Notes to the Schemes' Statement

1 Basis of preparation of the schemes' statement

The schemes' statements have been prepared in accordance with the relevant provisions of the 2006/07 Government Financial Reporting Manual (FReM) www.financial-reporting.gov.uk/ issued by the Treasury which reflect the requirements of Financial Reporting Standard (FRS) 17 Retirement Benefits. The format has changed to comply with the FReM and comparative amounts are restated where necessary to conform to the revised presentation. These accounts show the unfunded pension liability and movements in that liability during the year. These accounts also have regard to the Science and Technology Act 1965.

a) **Research Councils' Pension Schemes - principal arrangements**

The schemes' statement summarises the transactions of the RCPS which acts as a principal. The Balance Sheet shows the deficit on the scheme; the Revenue Account shows, inter alia, the movements in the liability analysed between the pension cost and the interest on the scheme liability. The actuarial position of the pension scheme is dealt with in the Report of the Actuary, and the scheme statement should be read in conjunction with that Report.

a) **Early Retirement Lump Sums - agency arrangements**

The RCPS acts as an agent for employers in the payment of early retirement lump sums (ERLS). ERLS paid out are invoiced and generally recovered from employers within a month. These financial flows are not brought into account in the financial statements. However, they do recognise the liabilities arising from the timing difference between amounts paid and recovered.

2 Accounting Policies

a) **Income**

Income includes contributions received and receivable from payrolls run during the year by contributing employers. Transfers in are finalised and included on the date cash is received.

b) **Pension Cost and Interest on Scheme Liabilities**

The pension cost and interest cost on scheme liabilities are calculated by Government Actuaries Department (GAD). Payments by the Schemes are treated as a reduction in the pension liability.

RESEARCH COUNCILS' PENSION SCHEMES ACCOUNTS 2006-07

c) **Transfers Out**

Transfers out are included when notified by the person transferring and by their new pension scheme.

d) **Administration Costs**

The Schemes pay for the Joint Superannuation Services (JSS) unit hosted by BBSRC. The accrued costs of JSS are charged as an administration expense in the Schemes' Revenue Account. Any amounts owing to BBSRC are included in creditors.

e) **Agency Arrangements - Early Retirement Lump Sums**

Some Pension Schemes pay a retirement lump sum when a member reaches the appropriate Scheme retirement age. If a leaver has yet to reach the Scheme retirement age then the Early Retirement Lump Sum (ERLS) is not payable from the Pension Scheme. Under an agency agreement with the Research Councils, the ERLS is calculated and paid from Pension Scheme funds and then invoiced to the respective employing Research Council. Any ERLS paid but not yet recovered is accrued in recoveries and included in debtors.

Where Pension Schemes pay retirement lump sums when the member reaches the Scheme retirement age they will, where there was an ERLS recovered from the respective Council, pay the retirement lump sum to that Council.

f) **Debtors and Creditors**

Debtors and Creditors are the result of timing differences between the accrued amounts in the Revenue Account and cash being received or paid.

g) **Pension Liability**

The movements and balance on the pension liability are supplied by the Government Actuaries Department (GAD).

Accrued payments by the Schemes are shown as reductions in the pension liability. GAD estimate these payments before the year end. Any difference is included as other actuarial gains and losses.

Lump sums on retirement and pensions are payable from the first day of retirement.

Refunds of contributions to members leaving the service is made up of any required transfer to the state scheme pension and income tax due with the balance refunded to the member.

RESEARCH COUNCILS' PENSION SCHEMES ACCOUNTS 2006-07

h) **General Fund**

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 cash received is not treated as income but credited to the General Fund in accordance with the FReM.

Interest received on the Schemes' Barclays bank account is included in Other Pension Income. The same amount is paid over to the Office of Science and Innovation at the end of March each year under the Consolidated Fund Extra Receipts (CFER) arrangements.

	2006-07	2005-06
	£'000	£'000
3. Pension contributions receivable		
Employers' contributions	47,841	47,095
Employees' contributions: normal	5,282	5,127
Employees' contributions: purchase of added years	1,650	1,693
	<u>54,773</u>	<u>53,915</u>
4. Pension Cost		
Current service cost	55,000	55,000
Settlements and curtailments	-	-
	<u>55,000</u>	<u>55,000</u>
5. Transfers out		
Group transfers out to other schemes	-	-
Individual transfers out to other schemes	4,959	4,797
	<u>4,959</u>	<u>4,797</u>
6. Administration expenses		
Total running costs	581	530
Less offsetting receipts	(125)	(24)
Net running costs	456	506
Pensioner payroll agency fees	122	118
Auditors' remuneration	29	27
Actuarial and bank charges	10	26
	<u>617</u>	<u>677</u>
7. Debtors - contributions due in respect of pensions		
	£'000	£'000
7(a) Analysis by type		
Trade debtors	14	27
Accrued income and prepaid expenditure	334	1,108
	<u>348</u>	<u>1,135</u>
7(b) Analysis by receipt type		
Pension contributions due from employers	334	1,041
Employees' normal contributions	-	67
Transfers in	-	-
Other debtors	14	27
	<u>348</u>	<u>1,135</u>
7(c) Intra-Government Balances		
Research Councils	338	1,045
Other organisations	10	90
	<u>348</u>	<u>1,135</u>
8. Cash		
	£'000	£'000
8(a) Analysis by type		
HM Paymaster general's Office	202	-
Barclays Bank plc	1,984	1,091
	<u>2,186</u>	<u>1,091</u>

9. Creditors - in respect of pensions

	<u>2006-07</u>	<u>2005-06</u>
	£'000	£'000
9(a) Analysis by type		
Trade creditors	-	-
Accrued expenditure and prepaid income	<u>217</u>	<u>92</u>
	<u><u>217</u></u>	<u><u>92</u></u>
9(b) Analysis by expenditure type		
Pensions	-	-
Overpaid contributions: employers	<u>136</u>	-
Overpaid contributions: employees	<u>43</u>	<u>42</u>
Other including administration expenses	<u>9</u>	<u>23</u>
Audit fee	<u>29</u>	<u>27</u>
	<u><u>217</u></u>	<u><u>92</u></u>
9(c) Intra-Government Balances		
Research Councils	<u>139</u>	<u>23</u>
Other organisations	<u>78</u>	<u>69</u>
	<u><u>217</u></u>	<u><u>92</u></u>

10. Provisions for pension liabilities

10.01 The Research Councils' Pension Schemes are unfunded defined benefit schemes. An actuarial valuation was carried out at 31 March 2007 by the Government Actuary's Department. The major assumptions used by the Actuary were:

	At 31 March 2007	At 31 March 2006	At 31 March 2005	At 31 March 2004
Price inflation	2.75%	2.50%	2.50%	4.80%
Earnings increase	4.30%	4.00%	4.00%	6.40%
Rate used to discount the Schemes' liabilities	1.80%	2.80%	3.50%	3.50%
Increase for pensions in payment and deferred pensions in line with increases in Retail Price Index	2.75%	2.50%	2.50%	2.70%

10.02 The Schemes' administrators are responsible for providing the Actuary with the information the Actuary needs to carry out the valuation. This information includes, but is not limited to, details of:

- Scheme membership, including age and gender profile, active membership, deferred pensioner and pensioners;
- Benefit structure, including details of any discretionary benefits and any proposals to amend the scheme;
- Income and expenditure, including details of any bulk transfers into or out of the scheme.

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

10.04 The value of the liability on the balance sheet 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 administrators of the schemes accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in note 10.05. Note 10.09 analyses "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.

10.05 Analysis of movements in the scheme liability

	Notes	<u>2006-07</u>	<u>2006-07</u>	2005-06
		£'000	£'000	£'000
Scheme liability at 1 April			1,945,000	1,620,000
Recalculation of opening provision	10.06			255,000
Restated balances at 1 April				<u>1,875,000</u>
Current service cost	4.0	55,000		55,000
Settlements and curtailments	4.0	-		-
Past service costs		-		-
Interest on scheme liabilities		105,000		101,000
Enhancements		-		-
Benefit payments	10.07	(68,711)		(63,747)
Payments to or on account of leavers	10.08	(446)		(524)
Analysis of actuarial losses/(gains) on the scheme liabilities	10.09	49,157		(21,729)
			140,000	<u>70,000</u>
			2,085,000	
Recalculation of closing provision	10.06		430,000	
Scheme liability at 31 March			2,515,000	<u>1,945,000</u>

10.06 Recalculation of opening provision

The real investment return in excess of inflation for valuing pension liabilities changed from 3.5% to 2.8% p.a. as at 1 April 2005 and then to 1.8% as at 31 March 2007. The overnight change in liabilities is £255M at 1 April 2005 and £410M at 31 March 2007. Changes in mortality assumptions caused a further £20M change as at 31 March 2007.

10.07 Analysis of benefits paid	2006-07	2005-06
	£'000	£'000
Pensions to retired employees and dependents (net of recoveries or overpayments)	(58,668)	(55,126)
Commutations and lump sum benefits on retirement or death	(10,043)	(8,621)
Other payments	-	-
As per cash flow (note 13)	(68,711)	(63,747)

10.08 Analysis of payments to or on account of leavers	2006-07	2005-06
	£'000	£'000
Refunds to members leaving service	(446)	(524)
As per cash flow note (note 13)	(446)	(524)

10.09 Analysis of actuarial losses/(gains) on the scheme liabilities	2006-07	2005-06
	£'000	£'000
Experience losses/(gains) arising on the scheme liabilities	50,000	(34,000)
Changes in assumptions underlying the present value of the scheme liabilities	-	12,000
Other (see note 2g)	(843)	271
	49,157	(21,729)

10.10 History of Experience gains / (losses) - all recognised in the Statement of Total Recognised Gains and Losses

See note 10.09	Experience gains / (losses)	Percentage of the Schemes' Liabilities at 31 March
2006-07	(50,000)	-2.0%
2005-06	34,000	1.7%
2004-05	(108,000)	-6.7%
2003-04	(102,000)	-7.3%

11. Debtors - Agency arrangements	2006-07	2005-06
	£'000	£'000
11(a) Analysis by type		
Trade debtors	-	339
Accrued income and prepaid expenditure	652	687
	652	1,026
11(b) Analysis by receipt type		
ERLS Recoverable	652	1,026
11(c) Intra-Government Balances		
Research Councils	652	1,026

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12. General Fund		Notes	2006-07	2005-06
			£'000	£'000
Balance at 1 April			(1,941,840)	(1,620,021)
Recalculation of closing / opening provision	10.06		(430,000)	(255,000)
Adjusted opening balance			(2,371,840)	(1,875,021)
Parliamentary funding: drawn down	14	17,202		15,100
Interest payable to the Office of Science & Innovation		(46)		(53)
Net central funding			17,156	15,047
Combined net outgoings			(108,190)	(103,595)
Actuarial (losses)/gains	10.09		(49,157)	21,729
Balance at 31 March			(2,512,031)	(1,941,840)
			<hr/>	<hr/>
13. Notes to the Cash Flow Statement		Notes	2006-07	2005-06
			£'000	£'000
Net outgoings for the year			(108,190)	(103,595)
Decrease/(increase) in debtors - principal arrangements			787	(298)
Decrease/(increase) in debtors - agency arrangements			374	(1,009)
Increase/(decrease) in creditors			125	(1,825)
Increase in provision				
Current service cost	4		55,000	55,000
Settlements and curtailments	4		-	-
Interest cost			105,000	101,000
Use of provisions				
Benefit payments	10.07		(68,711)	(63,747)
Payments to or on account of leavers	10.08		(446)	(524)
Net cash outflow from operating activities			(16,061)	(14,998)
			<hr/>	<hr/>
14. 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 2006-07 was £17,202,000 (2005-06: £15,100,000) all of which was drawn down by the Pension Schemes.

15. Related Party Transactions

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

The OSI/DTI are regarded as related parties. During the period 1 April 2006 to 31 March 2007 the Research Councils' Pension Schemes had various material transactions with the OSI/DTI and with other entities for which the OSI/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.

16. ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR TRADE AND INDUSTRY (WITH THE APPROVAL OF HM TREASURY) IN ACCORDANCE WITH SECTION 2(2) OF THE SCIENCE AND TECHNOLOGY ACT 1965.

1. This direction applies to the Research Councils Pension Schemes.
2. The Research Councils Pension Schemes shall prepare resource accounts for the year ended 31 March 2007 and subsequent financial years, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ("the FReM") which is in force for the financial year for which the accounts are being prepared.
3. The accounts shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2007 and subsequent financial year-ends and of the net resource outturn and cash flows for the financial year then ended;
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them; and
 - (c) ensure that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed with the Department of Trade and Industry and with HM Treasury.
5. This direction supersedes the direction dated 19th March 2004.

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

Roger Louth,

Dated 26 June 2007