

Research Councils' Pension Schemes Accounts 2018-19

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Presented to Parliament pursuant to Section 14 (5) of Schedule 9 of the Higher Education and Research Act 2017

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Report of the Manager

Statutory background

- 1 These Research Councils' Pension Scheme (RCPS) statements have been prepared in accordance with the relevant provisions of the 2018-19 Government Financial Reporting Manual (FRoM, published at www.financial-reporting.gov.uk) issued by HM Treasury, and with regard to the Higher Education and Research Act 2017.
- 2 The RCPS is an unfunded pension scheme operating by analogy to the Principal Civil Service Pension Scheme (PCSPS). Payments from the Scheme are funded by current employees' and employers' pension scheme contributions, with the difference between these contributions and the Scheme expenditure financed by Grant-in-Aid provided from the Department for Business, Energy and Industrial Strategy.

Description of pension schemes

- 3 The Nuvos scheme commenced on 30 July 2007. This is a career average pension scheme, which together with the Partnership Pension Account, forms the pension options open to new starters since 30 July 2007. However, members who have a past history of membership of the Classic, Classic Plus or Premium schemes may be allowed to re-join their former arrangement depending on the time that has lapsed since they left their former employment and the terms that they left under.
- 4 The Nuvos scheme has a pension age of 65 and an accrual rate of 2.3 per cent of pensionable earnings for each year in the scheme. The total pension accrued at the end of each March is increased by the Consumer Price Index for the year to the previous September.
- 5 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 contribution scheme. The employers pay an age-related contribution to the employee's private pension provider, and an additional 0.8 per cent of pensionable pay to the RCPS to cover death in service and ill health benefits.
- 6 The other schemes provide retirement and related benefits based on individual final emoluments by analogy to the PCSPS. New starters were eligible to join the Premium scheme from 1 October 2002 until 29 July 2007. Premium provides a pension based on 1/60th of salary but without an automatic lump sum. Staff in post as at 1 April 1994 and new starters through to 30 September 2002 were entered into what is now known as the Classic scheme. This provides a pension based on 1/80th of salary and an automatic lump sum. Some members are in an amalgam of the two schemes known as Classic Plus.
- 7 The employee contribution rates and calculation methods are by analogy with the PCSPS rates. For the period 1 April 2018 to 31 March 2019 the rates and annualised earning brackets were as follows:

Annualised pensionable earnings	Member Contribution Rate (%)
Up to £21,636	4.60
£21,637 - £51,515	5.45
£51,516 - £150,000	7.35
£150,001 and above	8.05

- 8 The pension scheme operates on a pay-as-you-go basis, and is principally funded by employers' and employees' contributions from participating organisations. The employers' contribution rate has been 26.0 per cent since 1 April 2010. The previous rate of 21.3 per cent was payable from 1 April 2008 until 31 March 2010. Any annual shortfall forecast between cash outgoings and cash contribution received is met by Grant-in-Aid received through the scheme's responsible authority, now the Department for Business, Energy and Industrial Strategy (BEIS).

Eligible staff

- 9 All employees of the Participating Employers (paragraphs 15 and 16), apart from staff on zero hour contracts, were eligible to join the Nuvos scheme or pay into a Partnership Pension Account. Staff not eligible for RCPS membership are automatically enrolled into an alternative qualifying pension scheme, generally the National Employment Savings Trust (NEST).

Information for members

- 10 The Joint Superannuation Service (JSS) website, (<http://jsspensions.nerc.ac.uk/>) gives more information about the schemes and benefit entitlement.

Auditors

- 11 The accounts of the RCPS are audited by the Comptroller and Auditor General in accordance with section 9 of the Higher Education and Research Act 2017. The audit fee payable is £41,100 (2017-18: £41,100).
- 12 So far as the Accounting Officer is aware, there is no relevant audit information of which the RCPS auditors are unaware, and the Accounting Officer has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the RCPS auditors are aware of that information.
- 13 I confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.
- 14 No non-audit work was performed by the auditors on behalf of the RCPS during the year.

Participating employers

- 15 During 2018-19 the following employers had active members enrolled in the RCPS:

- Diamond Light Source
- Moredun Research Institute
- UK Research and Innovation (UKRI)
- UK Shared Business Services Ltd
- Scotland's Rural College

- 16 The following organisations participate in the RCPS as Admitted Bodies and had active members enrolled in the Scheme during 2018-19:

- The Pirbright Institute
- Rothamsted Research
- The Rothamsted Centre for Research and Enterprise
- Babraham Institute
- Babraham Bioscience Technologies Ltd
- John Innes Centre
- Earlham Institute
- Norwich Bioscience Institute Partnership
- Quadram Institute Bioscience

Changes and events during 2018-19

- 17 Formal actuarial valuations are used to determine the contribution rates. A scheme funding valuation as at 31 March 2006 was completed in 2008-09 which set the employer contribution rate at 26 per cent. A scheme valuation as at 31 March 2010 was suspended by HM Treasury whilst public service pensions were being reviewed by Lord Hutton. The new scheme valuation process started in 2014, with a valuation as at 31 March 2012. This process started at the same time as HM Treasury began developing its public sector pension reform policy. A draft valuation as at 31 March 2012 was produced by the Scheme actuary and reviewed by the RCPS Management Board, but not finalised due to ongoing reform discussions with HM Treasury. Subsequent draft valuations have been completed on the basis of different reform approaches, including the use of data as at 31 March 2016 to estimate future funding and contribution rates. In February 2019 the RCPS Management Board decided that a formal actuarial valuation as at 31 March 2018 should now be completed by the Government Actuary's Department (GAD) to bring the scheme in line with other public sector scheme valuations and to reflect financial assumptions and rates set in HM Treasury Valuation Directions. The RCPS Management Board will review the valuation and are responsible for agreeing any changes to future contribution rates.
- 18 The Civil Service introduced a new pension Scheme in April 2015, called Alpha, which is in addition to the Principal Civil Service Pension Scheme (PCSPS) arrangements that comprise the Classic, Classic Plus, Premium and Nuvos Scheme sections. The RCPS is by analogy to the PCSPS and is therefore not automatically permitted to operate by analogy to Alpha due to the legislation under which Alpha was created.
- 19 The RCPS has been working with the Government since 2015 to develop and agree reforms, with the expectation that all RCPS members, pensioners and preserved members will transfer to the Civil Service pension arrangements. In April 2018 HM Treasury issued an instruction to all public bodies required to reform their pension arrangements to postpone transfers to the Civil Service pension arrangements, as a consequence of ongoing litigation concerning the lawfulness of changes introduced in April 2015, specifically for the judicial and firefighters' pension schemes. Both cases progressed through to the Court of Appeal in December 2018, and the Court ruled that some of the changes introduced in 2015 were unlawful on the grounds of age discrimination.
- 20 The RCPS Management Board decided that the RCPS should continue as is until at least April 2020 while the legal proceedings continued. The RCPS was also granted permission from the Department of Business, Energy and Industrial Strategy, the 'responsible authority' for the Scheme, to delay RCPS reforms and a transfer to the Civil Service pension arrangements until 1 April 2020. In the interim new entrants have been and will continue to be automatically enrolled into the Nuvos section of the RCPS with an option to switch to a Partnership Pension Account.
- 21 The Higher Education and Research Act 2017 brought together the Research Councils, Innovate UK and part of the Higher Education Funding Council for England to form UK Research and Innovation (UKRI) on 1 April 2018. The Department of Business, Energy and Industrial Strategy (BEIS) delegated Accounting Officer responsibilities for the RCPS to the Chief Executive and Accounting Officer of UKRI, Sir Mark Walport. Staff working for the Research Councils who were members, or eligible to be members, of the RCPS were transferred under a statutory Staff Transfer Order which enabled staff to continue to remain in and be eligible for the RCPS beyond 1 April 2018. UKRI took on the obligations and commitments from those Research Councils in respect of the continuing accrual of pension benefits for their staff in the RCPS. The RCPS participating organisations affected were: AHRC, BBSRC, EPSRC, ESRC, Innovate UK, NERC and STFC. The Staff Transfer Order also saw the transfer of staff working in Joint Superannuation Services (JSS: the Scheme administrator) to UKRI. To comply with its Auto Enrolment duties, UKRI re-enrolled all eligible staff into the RCPS with effect from 1 April 2018. The majority of new starters with UKRI are enrolled in the Civil Service pension arrangements. Exceptions allow enrolment into the RCPS for UKRI staff joining the National Oceanography Centre, Centre for Ecology and Hydrology and a small number of specific roles at the British Antarctic Survey.
- 22 Most of the RCPS' participating organisations use the Civil Service Compensation Scheme for managed voluntary and compulsory exits. The Civil Service Compensation Scheme (CSCS) was reformed on 9 November 2016. The process that led to the reforms was the subject of a Judicial Review taken by the PCS union. The review concluded that the consultation process was not followed and as a result the previous 2010 CSCS terms were reverted to in August 2017. The 2010 terms remain in place until at least 31 May 2019 while the Civil Service Scheme Manager engages with member representatives.

- 23 The Civil Service Pension Scheme Manager changed the Civil Service AVC Scheme provider and Partnership pension provider to Legal and General in September 2018 under a new Master Trust arrangement. The RCPS Management Board decided not to mirror the changes and agreed that active RCPS AVC arrangements can continue beyond September 2018, to cease offering the CSAVC option to RCPS members, and that the Partnership Pension Account option shall remain open to RCPS members. Scottish Widows and Standard Life continue to provide the Partnership pension option for RCPS members. RCPS Partnership members have decreased from 129 at 31 March 2018 to 117 at 31 March 2019.
- 24 New entrants to the RCPS decreased by 48.8 per cent from 2017-18 to 2018-19; which is less than forecast. This reduction is predominantly due to the creation of UKRI and their requirement to enroll most of their new starters into the Civil Service pension arrangements. Active pensioners in the RCPS have increased by 1.9 per cent, and preserved (deferred) members decreased by 0.4 per cent. Total scheme membership as at 31 March 2019 has decreased slightly to 31,321 compared to 31,386 as at 31 March 2018.
- 25 JSS appointed a Data Protection Officer in April 2018 in accordance with the Information Commissioners Office guidance and General Data Protection Regulation (GDPR). The Data Protection Officer is responsible for ensuring JSS and RCPS compliance to the Data Protection Act and GDPR. The GDPR was implemented on 25 May 2018 and the Data Protection Officer has since published JSSs' Privacy Policy, Privacy Notice, embedded Breach Policies and undertaken thorough reviews of Retention and Destruction Policies.
- 26 The Moredun Research Institute ceased to enroll new staff into the RCPS from 1 June 2018 due to a change of employment terms. Existing staff will remain in RCPS as active members until they leave employment with the Institute or retire.
- 27 In October 2018 the Cabinet Office withdrew JSS's ability to refer Ill Health retirement cases through the Civil Service pension scheme's Scheme Medical Adviser, Health Management Limited. JSS has engaged the services of Medigold Health Consultancy Ltd to act as Scheme Medical Adviser for RCPS ill health retirement assessments.
- 28 The National Fraud Initiative (NFI) is an IT data-matching exercise coordinated by the Cabinet Office, involving organisations within central and local government such as the Department for Work and Pensions, working together to identify and eliminate fraud and overpayments. JSS took part in the 2018 NFI exercise by supplying pensioner and preserved member data in November for matching. The results were returned in January 2019 and the NFI identified 45 matches (0.2 per cent of pensioner and preserved members) of which JSS were already aware of 29. A number of cases have since been resolved and the remaining will be concluded in due course. No intentional acts of fraud have been identified.
- 29 The RCPS, as with all other pension schemes, has been seeking to reconcile its Guaranteed Minimum Pension (GMP) records with those of HMRC, as a one-time only activity. Prior to embarking on this exercise the RCPS only retained GMP values once they came into action, with notification being sent individually from HMRC at that time. HMRC revised this approach to instead issue each pension scheme with a one-off notification of all its members' GMPs at a stated date. This required the RCPS to amend its systems to enable GMPs to be retained on the member's record, prior to the date that they come in action, and to be revalued. The necessary work has been completed and the RCPS has now reconciled 98.7 per cent of its records, with the remaining records being worked through individually. On completion of the reconciliation exercise 147 records were identified where the GMP was previously either incorrect or missing, which resulted in incorrect pension payments being made. Of these 139 had been previously overpaid with the remaining eight being underpaid and with overpayments amounting to £339k in total. It was agreed by the RCPS Management Board that previous overpayments would not be recovered, consistent with the approach across the rest of the public sector. In all cases, pensions going forward were adjusted to the correct level.

Changes anticipated during 2019-20

- 30 The impact of the Court of Appeal's ruling on age discrimination arising from changes made in the firefighters and judicial pension schemes on the RCPS is uncertain. The RCPS is continuing until at least April 2020, which mitigates the risk of RCPS members transferring to a scheme that is potentially unlawful and which allows additional time to agree a reform implementation plan with BEIS and HM Treasury. Such a plan should also identify a sustainable approach to the crystallisation of the scheme deficit in the event of a transfer of the RCPS to the Civil Service pension arrangements.
- 31 The Government Actuary's Department (GAD) has been commissioned to complete an actuarial valuation of the scheme as at 31 March 2018. The implementation of any changes to the current contribution rates will be reviewed by the RCPS Management Board. If changes are made, they are likely to be implemented during 2020-21.
- 32 The overall membership of the scheme is expected to remain relatively stable throughout 2019-20. New entrant numbers are likely to be similar at approximately 500. Scheme leavers are expected to continue on a downward trend, with approximately 6-700 members forecast to leave the scheme during 2019-20. Active members could decrease to 7,000 with relative increases in pensioner members and preserved (deferred) members. The total scheme membership is expected to remain at approximately 31,300.
- 33 Auto Enrolment legislation applied to all RCPS employers on 1 July 2013. JSS managed the automatic enrolment of eligible staff when the first re-enrolment duty was reached in July 2016. JSS will coordinate the re-enrolment of eligible staff in July 2019. Not all employers have a re-enrolment date in 2019; UKRI's Auto Enrolment duties began on 1 April 2018 and therefore have a re-enrolment duty in 2021. Re-enrolment is the employer's legal duty.
- 34 A Guaranteed Minimum Pension Equalisation ruling by the High Court on 26 October 2018 in the Lloyds case provided that pensions to members who had contracted-out of their scheme must be recalculated to ensure payments reflect the equalisation of normal retirement ages in the 1990s. While the decision provides some clarity, the High Court did not prescribe a route for the equalisation, noting instead that a number of different methods were available for schemes to use. The court also ruled that arrears must be paid, with no limitation period effective and interest applied at 1 per cent over the Bank of England base rate. A current interim solution is in place for Public Service Pension Scheme members who reach Scheme Pension Age on or before 5 April 2021, and meets the obligations of government to index and equalise public service pensions. During this period, the government intends to review the possibility of implementing conversion as a longer-term solution. I will report in the 2019-20 Annual Accounts on what decision has been reached.

Other future anticipated changes

- 35 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 FReM normally requires that the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years.
- 36 RCPS actuarial valuations have been suspended by HM Treasury since 2012 due to ongoing pension reform discussions and related public sector pension scheme litigation. The RCPS Management Board decided that a formal actuarial valuation as at 31 March 2018 should be completed by the Government Actuary's Department (GAD) to bring the scheme into line with other public sector scheme valuations and to reflect financial assumptions and rates set in HM Treasury's Valuation Directions. The valuation will be completed during 2019-20. The RCPS Management Board will review the valuation and are responsible for agreeing any changes to future contribution rates. Changes would be implemented in 2021-22. See section 17 of the Report of the Manager for further information.

Review of the financial statements

- 37 For the year ended 31 March 2019 there was overall net expenditure of £196.6 million.
- 38 Income was £93 million in 2018-19 compared to £92 million for 2017-18.
- 39 In 2018-19 the pension liability decreased by £115 million from £5.3 billion to £5.2 billion, mainly due to interest on Scheme liabilities of £134m, current service cost of £149m, payments out for pensioners of (£153m) and actuarial gains of (£249m). A full breakdown of the movement in the pension liability can be found in note 15.10 of the accounts.

Freestanding Additional Voluntary Contributions

- 40 Members in service are entitled to make additional voluntary contributions (AVCs) under contracts between the employee and Scottish Widows or 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. Employee contributions are paid directly by the Participating Employer and accordingly contributions and AVC investments are not included in these accounts. No new AVC arrangements were permitted after August 2018, although existing arrangements held by members were able to continue.

RCPS Membership Report

	31 March 2019	31 March 2018
	No.	No.
New Schemes		
Current members in Service	7,168	7,459
Pensions in Payment	9,441	9,076
Early Retirements	11	23
Preserved Pensions	9,097	9,022
Total	25,717	25,580
Old Schemes¹		
Pensions in Payment	4,741	4,828
Preserved Pensions	863	978
Total	5,604	5,806
GRAND TOTAL	31,321	31,386
	2018-19	2017-18
	No.	No.
Members in Service at 1 April	7,459	7,801
Adjustment resulting from changes notified in current year	(9)	(471)
Adjusted figure for 1 April	7,450	7,330
New members in year	538	1,050
Leavers and retirements in year	(820)	(921)
Members in Service at 31 March	7,168	7,459
	31 March 2019	31 March 2018
	No.	No.
Current members in service by Scheme		
Classic Scheme	1,666	1,800
Classic Plus Scheme	169	180
Premium Scheme	1,222	1,315
Nuvos Scheme	4,111	4,164
Members in Service at 31 March	7,168	7,459
Holders of Partnership Pension Accounts	117	129

Any enquiries concerning the operation of the RCPS should be addressed to the Schemes' administrators; Joint Superannuation Service, Polaris House, North Star Avenue, Swindon, SN2 1UY.

¹ Old Schemes are those which existed prior to the RCPS's creation in 1994. The RCPS was formed as the result of the reorganisation of a number of Research Councils. Their schemes were all by analogy to the Principal Civil Service Pension Scheme and were as follows: Agricultural and Food Research Council Superannuation Scheme, Natural Environment Research Council Superannuation Scheme, Science and Engineering Research Council Superannuation Scheme, and Economic and Social Research Council Superannuation Scheme.

Accounting Officer, Manager, Advisers and Employers

Accounting Officer:

Sir Mark Walport
UK Research and Innovation, Polaris House, North Star Avenue, Swindon, SN2 1UY

Sir Mark Walport was appointed Chief Executive of UK Research and Innovation, becoming Accounting Officer for UK Research and Innovation and for the RCPS from 1 April 2018.

Manager:

Kye Honor
Joint Superannuation Services, Polaris House, North Star Avenue, Swindon, SN2 1UY

The Schemes are administered by Joint Superannuation Service (JSS), a unit within UK Research and Innovation. The UK Shared Business Services Ltd (UK SBS) provides payroll, finance and HR services to JSS and UK Research and Innovation.

Actuary:

Sandra Bell, Chief Actuary
Government Actuary's Department,
15-17 Furnival Street, London, EC4A 1AB

The Government Actuary's Department (GAD) is the appointed actuary for the RCPS.

Bankers:

The Royal Bank of Scotland,
2nd Floor 280 Bishopsgate, London, EC2M 4RB

Auditors:

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

Participating Employers:

UK Research and Innovation
Polaris House, North Star Avenue, Swindon, SN2 1FL
<https://www.ukri.org/>

UK Shared Business Services Ltd
Polaris House, North Star Avenue, Swindon, SN2 1FF
<https://www.uksbs.co.uk>

Diamond Light Source
Diamond House, Harwell Science and Innovation Campus, Didcot, Oxfordshire, OX11 0DE
<https://www.diamond.ac.uk/>

Moredun Research Institute
Pentlands Science Park, Bush Loan, Penicuik, Midlothian, EH26 0PZ
<https://www.moredun.org.uk/>

Scotland's Rural College
Kings Buildings, West Mains Road, Edinburgh, EH9 3JG
<https://www.sruc.ac.uk/>

Professor Sir Mark Walport
UK Research and Innovation Chief Executive and RCPS Accounting Officer
Date: 2 July 2019

Statement by the Actuary¹

Introduction

- A1. This statement has been prepared by the Government Actuary's Department (GAD) at the request of the JSS (the RCPS scheme manager). It provides a summary of GAD's assessment of the scheme liability in respect of the Research Councils' Pension Schemes (RCPS) as at 31 March 2019, and the movement in the scheme liability over the year 2018-19, prepared in accordance with the requirements of Chapter 9 of the 2018-19 version of the Financial Reporting Manual.
- A2. The RCPS 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.
- A.3 The assessment has been carried out by calculating the liability as at 31 March 2016 based on the data provided as at 31 March 2016 and rolling forward that liability to 31 March 2019.

A.4 Membership data

Tables A to C summarise the principal membership data as at 31 March 2016 used to prepare this statement.

Table A – Active members

	Number of members	Total pensionable pay* (pa) £ millions
Total	7,980	282.6

* Pensionable pay is the Actual pay figure.

Table B – Deferred members

	Number of members	Total deferred pension* (pa) £ millions
Total	9,438	32.2

* Pension amounts include the pension increase granted in April 2016.

Table C – Pensions in payment

	Number of members	Annual pension* (pa) £ millions
Members	11,515	115.2
Spouses & dependants	1,944	10.4
Total	13,459	125.6

* Pension amounts include the pension increase granted in April 2016.

¹The paragraph numbers in the appendix are self-contained (eg paragraph '1.' not 'A.1') as this statement will be copied into the published accounts.

Methodology

- A.5 The present value of the liabilities as at 31 March 2019 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 2019. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2019 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 2018 in the 2017-18 accounts.
- A.6 This statement takes into account the benefits normally provided under the scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. 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.

Principal financial assumptions

- A.7 The principal financial assumptions adopted to prepare this statement are shown in Table D.

Table D – Principal financial assumptions

Assumption	31 March 2019	31 March 2018
Nominal discount rate	2.90%	2.55%
Rate of pension increases	2.60%	2.45%
Rate of general pay increases	4.10%	3.95%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of: Pension increases	0.29%	0.10%
Long-term pay increases	(1.15)%	(1.35)%
Expected return on assets:	n/a	n/a

- A.8 The assessment of the liabilities allows for the known pension increases up to and including April 2019.

Demographic assumptions

A.9 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 'S1 tables' with the percentage adjustments to those tables derived from scheme experience.

Table E – Post-retirement mortality assumptions

Baseline mortality	Standard table	Adjustment
Males		
Current normal health pensioners	S1NMA	87%
Future normal health pensioners	S1NMA	77%
Current ill-health pensioners	S1IMA	100%
Future ill-health pensioners	S1IMA	100%
Partners	S1NMA	100%
Females		
Current normal health pensioners	S1NFA	98%
Future normal health pensioners	S1NFA	85%
Current ill-health pensioners	S1IFA	100%
Future ill-health pensioners	S1IFA	100%
Partners	S1DFA	104%

A.10 These assumptions are the same as those adopted for the accounts as at 31 March 2018.

A.11 Mortality improvements are assumed to be in line with the latest 2016-based principal population projections for the United Kingdom published by the Office for National Statistics on 26 October 2017.

Liabilities

A.12 Table F summarises the assessed value as at 31 March 2019 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs A1 to A11. The corresponding figures for the previous year are shown for comparison.

Table F – Statement of Financial Position

£ Millions	31 March 2019	31 March 2018
Total market value of assets	nil	nil
Value of liabilities	5,154	5,269
Surplus/(Deficit)	(5,154)	(5,269)
of which recoverable by employers	n/a	n/a

Accruing costs

- A.13 The cost of benefits accrued in the year ended 31 March 2019 (the current service cost) is assessed as 55.2% of pensionable pay.
- A.14 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 4.6% and 8.1% of pensionable pay, depending on the level of their 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 2018-19 as a percentage of pensionable pay, and compares the total contributions with the current service cost assessed for the 2018-19 accounts.

Table G – Contribution rate

	2018-19	2017-18
	% of pay	% of pay
Employer contributions (including expenses ²)	26.0%	26.0%
Employee contributions (average)	6.4%	6.4%
Total contributions	32.4%	32.4%
Current service cost (expressed as a % of pay)	55.2%	51.1%

- A.15 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. The discount rate for accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.
- A.16 The pensionable payroll for the financial year 2018-19 was £269 million (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2018-19 (at 55.2% of pay) is assessed to be £149 million.
- A.17 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 2018-19.
- A.18 I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2018-19.

² The expenses of administering the scheme are borne by employers through an administration levy which is included in the contributions payable to the scheme.

Sensitivity analysis

A.19 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 2019 of changes to the most significant actuarial assumptions.

A.20 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.

A.21 Table H shows the indicative effects on the total liability as at 31 March 2019 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% a year	-9.5% -£490 million
(ii) (long-term) earnings increase*:	+0.5% a year	+1.0% £50 million
(iii) pension increases*:	+0.5% a year	+8.5% £440 million
Demographic assumptions		
(iv) additional 1 year increase in life expectancy at retirement		+3.0% +£155 million

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

Sandra Bell
 Chief Actuary
 Government Actuary's Department
 25 June 2019

Statement of Accounting Officer's Responsibilities

Under the Higher Education and Research Act 2017, the Secretary of State for Business, Energy and Industrial Strategy, with the consent of HM Treasury, has directed the Research Councils' Pension Scheme to prepare a statement of accounts for the year ended 31 March 2019 in the form and on the basis set out in the Accounts Direction in accordance with Section 14 of Schedule 9 of the Higher Education and Research Act 2017.

The combined financial statements must give a true and fair view of the state of affairs at 31 March 2019 and of the net resource outturn, changes in taxpayers' equity and cash flows for the financial year then ended. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament, or material transactions that have not conformed to the authorities which govern them. The financial statements must be prepared so as to ensure that the contributions payable to the Schemes during the year have been paid in accordance with the Schemes rules and the recommendations of the Actuary.

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 for Business, Energy and Industrial Strategy, 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 for Business, Energy and Industrial Strategy has appointed the Chief Executive of UK Research and Innovation, Sir Mark Walport, as Accounting Officer for the Research Councils' Pension Scheme. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Pension Scheme, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by HM Treasury and published in 'Managing Public Money.'

Governance Statement by Accounting Officer

1. INTRODUCTION

As part of the creation of UK Research and Innovation (UKRI), I was designated as the Accounting Officer of the RCPS on 1 April 2018. It was critical that we ensured the continued effective control of the RCPS whilst we established the right governance arrangements and control framework in UKRI. The Governance Statement, for which I take personal responsibility, gives a clear understanding of the dynamics of the RCPS, its risk and control arrangements, and how successfully it coped with the challenges and opportunities presented in the year.

The statement explains how the RCPS has maintained a sound system of governance and internal control which supports the achievement of the RCPS's policies, aims and objectives, whilst safeguarding the public funds and the RCPS assets for which I am responsible, in accordance with the responsibilities assigned to me and disclosed in 'Managing Public Money'.

2. GOVERNANCE FRAMEWORK

In my role as Accounting Officer for the RCPS, I am supported by the UKRI Board and its Audit Risk Assurance and Performance Committee, the Executive team within UKRI, and the RCPS Management Board.

2.1 RCPS Management Board

The RCPS Management Board is chaired by the UKRI Chief People Officer, John Arnott and comprises representatives from most of the active scheme members and a Trade Union representative. The RCPS Management Board acts as managers of the scheme, is responsible for ensuring the scheme rules are adhered to, ensures that the scheme is operated according to legislation, has oversight of reform planning and implementation, and ensures the scheme is administered efficiently and effectively.

The structure of the RCPS Management Board was formally reviewed in September 2018; the Board agreed proposals from UKRI to change their nominated representatives. Angela Stead joined the board as a UKRI finance representative and Tanya Robinson joined to represent UKRI institutes and centres. Jan Juillerat and Heather Jones stood down from the Board in September 2018 and Peter Ethelston stood down in February 2019. Jane Tirard's tenure ended in December 2018 when she left Diamond Light Source, her successor will join the Board and in the meantime, Claire Hearn has attended board meetings.

The RCPS Management Board met three times during 2018-19. Board members and their attendance at those meetings were:

Board Member	Organisation	Attendance
John Arnott	UKRI – Chair of the Board	3/3
Heather Jones (until Sep-18)	UKRI-NERC	1/1
Jan Juillerat (until Sep-18)	UKRI-BBSRC	1/1
Tanya Robinson (from Sep-18)	UKRI	1/1
Peter Ethelston (until Jan-19)	UKRI	1/2
Angela Stead (from Sep-18)	UKRI	1/1
Jerry Snewin	UKRI	2/3
Anne Shaw	UKRI	2/3
Jane Tirard (until Dec-18)	Diamond Light Source	0/2
Claire Hearn (from Jan-19)	Diamond Light Source	1/1
Colin McInnes	Moredun Research Institute	2/3
Tony Bell	Prospect Trade Union	1/3

2.2 Audit, Risk, Assurance and Performance Committee

The UKRI Audit, Risk, Assurance and Performance Committee (ARAPC) is chaired by Fiona Driscoll, Non-Executive UKRI Board Member. The role of ARAPC is to support the UKRI Board and Accounting Officer by reviewing operational performance, the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements for both UKRI and RCPS. ARAPC provides oversight and independent challenge regarding the design and implementation of policies and processes, as well as reviewing operational performance. Meetings are attended by representatives from BEIS, the National Audit Office and the Government Internal Audit Agency (GIAA), UKRI's internal audit service provider.

To ensure a smooth transition between the BBSRC Audit Committee, which previously provided oversight of the RCPS, and the UKRI ARAPC, the Chairs met and discussed the handover, with a focus on good management practices, the relationship with the National Audit Office, risk management and whistleblowing.

ARAPC met three times during 2018-19 and attendance at those meetings were:

Committee Member	Attendance
Fiona Driscoll (Chair)	3/3
Jane Madeley	3/3
Charlotte Moar	3/3
Richard Bacon	3/3
Sir Ian Diamond	2/3
Lord John Browne	1/3

The ARAPC meetings were also attended by Sir Mark Walport, UKRI Chief Executive, Ian Kenyon, UKRI Chief Finance Officer and Sir John Kingman, UKRI Chair. Their attendance was 1/3, 3/3 and 3/3 respectively.

2.3 Joint Superannuation Services

The RCPS is administered by the Joint Superannuation Services (JSS), which operates as a unit hosted within UKRI. JSS staff are contractually employed by UKRI.

3. THE RISK AND INTERNAL CONTROL FRAMEWORK

The system of internal control is designed to manage risk to a tolerable level rather than eliminate all risk of failure to achieve policies, aims and objectives.

3.1 Risk Management

Overall responsibility for risk management for within the RCPS rests with me as Accounting Officer. In its first twelve months UKRI has made considerable progress in establishing the risk management framework and a consistent internal control environment. UKRI has developed a risk management policy and strategy, set its risk appetite, agreed the corporate risk register, started the transition to a single risk management system, and introduced a new central team with qualified risk business partners to embed effective risk management across the organisation. A recent internal audit report on UKRI's risk management provided a moderate rating.

The task of reviewing the RCPS risk management framework is delegated to the Chair of the RCPS Management Board and Head of JSS. The Head of JSS reviewed the risk management framework three times during the year, with the Chair of the RCPS Management Board. The RCPS Management Board formally considers and agrees the Risk Register, with a focus on ensuring appropriate mitigating actions are being taken to manage risk in line with the RCPS risk appetite.

The Government Internal Audit Agency (GIAA) reviews the key risks to the RCPS and JSS on an annual basis as part of its internal audit programme. The scope of the audit is agreed with the Chair of the RCPS Management Board and the Head of JSS. The GIAA also undertakes a programme of internal audits for UKRI and UK SBS.

UKRI and the RCPS Management Board actively encourage a culture of effective risk management. This recognises that effective risk management is an essential component of successful business operations, rather than simple risk avoidance.

UKRI and the RCPS have adopted HM Treasury best practice on corporate governance and risk management. Risk management and internal control are considered on a regular basis by the ARAPC. The ARAPC also reviews the RCPS Annual Accounts and the NAO Audit Report on the RCPS.

The activities of the GIAA in respect of the RCPS are reviewed by the ARAPC and the scope of the internal audit plan for the coming year, which is based on the overall assessment of risk, is agreed. With this overarching view of audit activities, the ARAPC plays a pivotal role in evaluating and reviewing the evidence supporting the Accounting Officer's assurance statement on internal control.

3.2 Counter Fraud and Bribery

UKRI is committed to fostering an environment in which opportunities for fraud, bribery and corruption are reduced to the lowest possible level of risk. During the year UKRI has made significant progress in establishing its counter fraud framework. UKRI has launched a new Counter Fraud and Bribery policy, run its first Counter Fraud Awareness Week, established a new central team, completed counter fraud training for specialist staff, and developed a new counter fraud risk register and counter fraud strategy. In April 2018, Cabinet Office assessed UKRI's compliance with Government's counter fraud functional standards, with UKRI achieving green in nine and amber in two of 11 key standards. An internal audit report on UKRI's counter fraud management provided a moderate rating.

3.3 Regularity and Propriety

UKRI and the RCPS are committed to establishing and applying appropriate regularity and propriety standards, including embedding appropriate cultures and behaviours, and does not tolerate any form of fraud, bribery or corruption. The key components in this regard are UKRI's:

- Counter Fraud and Bribery policy and arrangements;
- Whistleblowing policy;
- Gifts and Hospitality policy;
- Complaints policy; and
- Good Research Conduct policy.

I confirm that for 2018-19:

- Neither I nor my staff authorised a course of action, the financial impact of which is that transactions infringe the regulatory requirements as set out in 'Managing Public Money';
- There were no novel, contentious or repercussive transactions that required BEIS or HM Treasury approval;
- There have been no instances of fraud identified within UKRI, the RCPS or UK SBS which materially impacted on the RCPS;
- There were no whistleblowing cases concerning the RCPS; and
- There were no breaches of delegation identified within the RCPS or UKRI.

3.4 Information governance and security

UKRI implements best practice throughout its Information Security framework, informed by the Cyber Essentials Scheme, 10 Steps to Cyber Security and the National Cyber Security Centre's End User Device standards, and the Government's Information Security Framework. During the year, a robust information governance framework has been introduced within UKRI and a new central team has been created to ensure a consistent approach across the organisation. We have established a Data and information Governance Committee to promote the strategic interaction between all key data and information stakeholders, to ensure that data and information are valued, accessible and protected where appropriate.

UKRI and the RCPS recognise and fully support the need for effective information governance in protecting their information and the information entrusted to them in the course of their business. Compliance with data protection laws is taken very seriously and UKRI provides all employees with training on their responsibilities in this area on an annual basis. UKRI and RCPS continue to monitor and assess their information risks to identify and address any weaknesses and ensure continuous improvement of their systems and procedures. During the year, the RCPS had no personal data breaches that required notification to the Information Commissioner's Office. There was one incident that did not require notification.

4. REVIEW OF EFFECTIVENESS

As Accounting Officer, it is my responsibility to ensure that a sound system of governance and internal control is being maintained. In 2018-19 this review is informed by the work of the ARAPC, the RCPS Management Board, the internal audit service provided by GIAA, the assurance opinion provided by the Accounting Officer of UK SBS and comments made by the NAO as our external auditors in their management letter and other reports.

4.1 Government Internal Audit Agency (GIAA)

The Group Chief Internal Auditor (GCIA) is required to provide me with an opinion on the overall adequacy and effectiveness of governance, risk management and control within UKRI. In her annual report and opinion, the GCIA has provided a Limited opinion for 2018-19, which is in the context of UKRI being created as a new and large Arm's Length Body, undergoing a complex transition and transformation.

As part of the internal audit programme, GIAA conducted an audit of JSS focused on controls surrounding the prevention of fraud and error by staff and pension scheme members, as well as following up on prior year recommendations. A Moderate opinion was provided, which is consistent with Moderate opinions provided to JSS in previous years. The recommendations made by GIAA were accepted by JSS and the Chair of the RCPS Management Board and all actions are complete.

Broader UKRI audits of relevance to the RCPS, including audits of Financial Processes, Risk Management and Counter Fraud, also received Moderate opinions.

4.2 Effectiveness of Whistleblowing Arrangements

UKRI recently launched a new 'Freedom to Speak Up' policy and procedures, including a new external whistleblowing hotline, and appointed the ARAPC Chair as Freedom to Speak Guardian. UKRI operated well-established policy and procedures to support whistle-blowers. There were no whistleblowing cases relating to the RCPS raised this year.

4.3 UK Shared Business Services Ltd (UK SBS Ltd) Assurance

In 2018-19, UKRI received processing services in human resources, procurement, payroll, finance and IT from UK Shared Business Services Ltd (UK SBS), another BEIS partner organisation, which also provides services to parts of BEIS. We receive assurance reports from UK SBS on the design and effectiveness of its internal control framework. Overall, while emphasising recruitment and retention of staff as an issue, and highlighting risks associated with EU exit, UKRI's transformation, the need to invest in a new system, and cyber threats, UK SBS has reported that its HR, payroll and finance services are operating effectively. Further narrative is available in the Governance Statement for UK SBS, which is published separately as part of its Annual Report and Accounts (www.uksbs.co.uk).

4.4 External Audit

The RCPS and UKRI Annual Accounts are audited by the Comptroller and Auditor General.

5 RISKS AND ISSUES

The RCPS Management Board and Head of JSS identify key risks and the possible threats or opportunities should these risks crystallise. They assess their probability, impact and proximity, and considers the inherent, current and target exposure levels. Existing controls and mitigation plans are reviewed alongside an indication of the current trajectory of the risk in the RCPS Risk Register.

The RCPS Management Board has oversight of the RCPS Risk Register, which was reviewed at the RCPS Management Board meetings. The RCPS Management Board ensures that appropriate risks are recorded, mitigation plans are being delivered, and adequate controls are in place or planned.

As at 31 March 2019, the register had 13 risks which had been agreed and were being monitored with effective controls and mitigation plans in place. Of the 13 risks, two were rated with a red risk score. The two red risks relate to:

- The closure of the RCPS and transfer of the scheme to the Civil Service pension arrangements, leading to a potential risk of increasing pension costs, impacting the ability to deliver services to meet the employer's needs, and potential age discrimination for some members; and
- The loss of staff within JSS and the impact on employee engagement, which could affect service to employers and members during a significant period of change.

Other risks relate to: GDPR data breaches or loss of personal information; the impact of the potential decline of service provided by UK SBS and effect on the payment of pensions; the impact of potential loss of or decline in service and support provision for the JSS pension system databases; Institute and Research Centre governance changes and their impact on staff resource; new legislation or policies and the impact on core processes or resource; fraud or misappropriation of pensions, and incorrect payments. All of these risks have appropriate controls and mitigation plans in place.

5.1 UKRI Risks and Issues

At 31 March 2019, the UKRI Corporate Risk Register comprised 23 risks, all of which had assigned controls in order to mitigate them to an acceptable level within UKRI's risk appetite. The key operational risk relevant to the RCPS relates to the transformation of UKRI. Following the successful closure of UKRI's implementation programme which led the creation and launch of the new organisation, UKRI has set out an ambitious programme of transformation to become a single organisation working collectively and sustainably to achieve our goals. Creating a single, unified organisation with shared and simplified operations, excellent people, and modernised technology will ensure we do not compromise our ability to deliver by placing excessive pressure on existing resources, structures and systems.

5.2 General Data Protection Regulation (GDPR)

The introduction of GDPR, on 25 May 2018, brought about substantial changes to the existing Data Protection Act 1998. The Information Commissioner's Office stated they expect to see organisations striving for compliance rather than achieving full compliance on 25 May 2018. Nevertheless, failure to comply could result in fines of up to €20m, or 4 per cent of turnover and significant reputational damage to UKRI and the RCPS.

JSS appointed a Data Protection Officer in line with Information Commissioner's Office guidance and GDPR requirements. The Data Protection Officer has proactively ensured JSS and the RCPS are, and continue to be, compliant with the Data Protection Act and the General Data Protection Regulation. During the year there were no data breaches or incidents that required notification to the Information Commissioner's Office.

6. CONCLUSION

The Governance Statement represents the results of the review of effectiveness of the RCPS system of governance and internal control. I have considered the evidence provided with regards to the production of the Annual Governance Statement and the independent advice and assurance of GIAA and ARAPC. I conclude that while UKRI has had a limited level of control in 2018-19, I am satisfied that the system of governance and internal control for the RCPS has continued to operate effectively and is appropriate to the RCPS and its risk profile. The areas in UKRI where we have identified processes and controls falling short of good practice have not impacted the RCPS's delivery of its objectives during the year. I am committed to the highest standards for UKRI and the RCPS, and will take all necessary actions to strengthen the control environment.

Professor Sir Mark Walport
UK Research and Innovation Chief Executive and RCPS Accounting Officer
Date: 2 July 2019

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 Scheme for the year ended 31 March 2019 under the Higher Education & Research Act. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2019 and of its combined net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Higher Education & Research Act and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK). 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 2016. I am independent of the Research Councils' Pension Scheme in accordance with the ethical requirements that are relevant to my audit and 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

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Research Councils' Pension Scheme's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects

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 the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 Higher Education & Research Act.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than

for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Research Councils' Pension Scheme's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and 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, 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:

- in the light of the knowledge and understanding of the Research Councils' Pension Scheme and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Report of the Managers and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
Date: 10 July 2019

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

Combined Statement of Comprehensive Net Expenditure for the period ended 31 March 2019

	Notes	2018-19		2017-18
		£'000	£'000	£'000
Principal Arrangements - Research Councils' Pension Schemes				
Income				
Contributions receivable	3		88,540	88,463
Transfers in: individuals	4		4,038	2,657
Other pension income	7		143	230
Recoveries			545	454
			<u>93,266</u>	<u>91,804</u>
Expenditure				
Service cost	5	149,000		141,000
Transfers in	4	4,038		2,657
Enhancements	6	2,000		2,000
Pension financing cost	10	134,000		145,000
Administration costs	9	784		920
			<u>(289,822)</u>	<u>(291,577)</u>
Combined Net (Expenditure) for the year			<u>(196,556)</u>	<u>(199,773)</u>
Other Comprehensive Net Expenditure				
Actuarial (losses)/gains	15.14		<u>249,000</u>	<u>36,977</u>
Total Comprehensive Net Income/(Expenditure) for the period ended 31 March 2019			<u>52,444</u>	<u>(162,796)</u>

All activities are regarded as continuing.

The notes on pages 26-36 form an integral part of these accounts.

Combined Statement of Financial Position as at 31 March 2019

	Notes	31 March 2019 £'000	31 March 2018 £'000
Current assets			
Receivables	12	1,990	2,405
Cash and cash equivalents	13	51,675	39,459
Total current assets		53,665	41,864
Current liabilities			
Payables (amounts falling due within one year)	14	(2,784)	(2,556)
Net current assets, excluding pension liability		50,881	39,308
Pension liability	15.10	(5,154,264)	(5,269,135)
Net liabilities, including pension liabilities		(5,103,383)	(5,229,827)
Taxpayers' equity			
General fund		(5,103,383)	(5,229,827)

Professor Sir Mark Walport,
 UK Research and Innovation Chief Executive and RCPS Accounting Officer
 Date: 2 July 2019

The notes on pages 26 to 36 form an integral part of these accounts.

Combined Statement of Changes in Taxpayers' Equity for the period ended 31 March 2019

	Notes	2018-19 £'000	2017-18 £'000
Balance at 1 April		(5,229,827)	(5,136,531)
Adjustment to start of year liability			
Grant in Aid: drawn down	17	74,000	69,500
Combined net expenditure for the year		(196,556)	(199,773)
Actuarial (losses)/gains	15.14	249,000	36,977
Balance at 31 March		<u>(5,103,383)</u>	<u>(5,229,827)</u>

The notes on pages 26-36 form an integral part of these accounts.

Combined Statement of Cash Flows for the period ended 31 March 2019

	Notes	2018-19 £'000	2017-18 £'000
Cash flows from operating activities			
Combined net (expenditure)/income for the year		(196,556)	(199,773)
Decrease/(Increase) in receivables - principal arrangements		415	6,427
Increase in payables		228	35
Decrease in provision for non-cash transactions			
Current service cost	5	149,000	137,000
Past service cost	5	-	4,000
Interest cost	10	134,000	145,000
Enhancements	6	2,000	2,000
Transfers in	15.10	4,038	2,657
Use of provisions			
Benefit payments	15.12	(152,889)	(150,166)
Payments to or on account of leavers	15.13	(2,020)	(2,385)
Net cash outflow from operating activities		(61,784)	(55,205)
Cash flows from financing activities			
Grant in Aid	17	74,000	69,500
Increase in cash and cash equivalents		12,216	14,295
Cash and cash equivalents at the beginning of the period	13	39,459	25,164
Cash and cash equivalents at the end of the period	13	51,675	39,459
Increase in cash		12,216	14,295

The notes on pages 26-36 form an integral part of these accounts.

Notes to the Schemes' Statements

1. Basis of preparation of the Schemes' statements

The Schemes' statements have been prepared in accordance with the relevant provisions of the 2018-19 Government Financial Reporting Manual (FReM) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/769056/2018-19_Government_Financial_Reporting_Manual__Dec_2018_.pdf issued by HM Treasury, which reflect the requirements of International Accounting Standard (IAS) 19 Employee Benefits and IAS 26 Retirement Benefit Plans. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

These accounts show the unfunded pension liability and movements in that liability during the year. These accounts also have regard to the Higher Education and Research Act 2017.

Where the FReM permits a choice in accounting policy, the accounting policy judged to be the most appropriate to the particular circumstances of the RCPS for the purpose of giving a true and fair view have been selected. The policies adopted by the RCPS are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

a) Research Councils' Pension Schemes – principal arrangements

The Schemes' statement summarises the transactions of the RCPS which acts as a principal. The Statement of Financial Position shows the deficit on the Scheme; the Statement of Comprehensive Net Expenditure shows, amongst other things the movements in the liability analysed between the pension cost, enhancements and transfers in and out 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.

b) 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 (see note 16 of accounts).

c) Adoption of new or amended standards effective in 2018-19

No new revised standards and interpretations have been applied by the Schemes.

d) Changes to the FReM and IFRS

The following revised standards and interpretations have been applied from 1st April 2018

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers

Changes to IFRS – new standards issued but not yet effective. In accordance with the FReM, these financial statements have not been applied: IFRS 16: Leases. This standard has been issued but is not yet effective for entities following the FReM. There are no material balances within the RCPS financial statements affected by the introduction of IFRS 16.

The introduction of IFRS 9 is not expected to have a material impact on the RCPS financial statements. There are no material balances within the RCPS financial statements affected by the introduction of IFRS 15.

2. Accounting Policies

a) Contributions Receivable

Income includes contributions received and receivable from payrolls run during the year by contributing employers.

b) Other Pension Income

Other pension income is accounted for when the income becomes due.

c) Pension Cost and Interest on Scheme Liabilities

The pension cost, including current and past service cost and interest cost on Scheme liabilities, are calculated by the Government Actuary's Department (GAD). Payments by the Schemes are treated as a reduction in the pension liability.

d) Transfers Out

Transfers out are included once notified by the person transferring and by their new pension Scheme and the payment is due.

e) Transfers In

Transfers in are included once notified by the person transferring and agreed by their previous pension Scheme administrators and the receipt is made.

f) Bulk Transfers

These relate to groups of members who are transferred under TUPE arrangements (Transfer of Undertakings (Protection of Employment) Regulations), mostly due to the closure of a site or sites, or to changes to governance arrangements in their organisation.

g) Administration Costs

The Schemes pay for the Joint Superannuation Services (JSS) unit hosted by UKRI. The accrued costs of JSS are charged as an administration expense in the Schemes' Combined Statement of Comprehensive Net Expenditure. Any amounts owing to UKRI are included in payables. Any amounts owed by UKRI are included in receivables.

h) 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 Scheme. Under an agency agreement with UKRI, the ERLS is calculated and paid from Pension Scheme funds and then invoiced to UKRI. Any ERLS paid but not yet recovered is accrued in recoveries and included in receivables.

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.

i) Pension Liability

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

Accrued payments by the Schemes are shown as reductions in the pension liability.

Actuarial gains and losses can occur for a number of reasons. These are changes to financial assumptions used from year to year, such as a change in the inflation rate used, changes in demographic assumptions, i.e. the mortality rate, changes in the methodology used, and other experience gains and losses. All information is included in the accounts in accordance with the GAD report.

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

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

j) General Fund

Grant-in-Aid is provided from Department for Business, Energy and Industrial Strategy (BEIS). The cash received is not treated as income. but credited to the Statement of Tax Payers' Equity in accordance with the FReM.

Additional grant funding required to fund bulk transfers out of the Scheme that is not met by the employers is credited to the General Fund in accordance with the FReM.

k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances.

l) Pension Benefits Payable

These are payments due to eligible members which arise from accrued service.

m) Lump Sums Payable on Death in Service

A death benefit lump sum is payable to whoever the Scheme member has nominated as their 'death benefit nominee' and is accounted for when due.

n) Additional Voluntary Contributions

Employee contributions are paid directly by the participating Research Council to the pension provider and accordingly contributions and AVC investments are not included in these accounts.

3. Contributions receivable

	2018-19	2017-18
	£'000	£'000
Employers' contributions	69,952	69,554
Employees' contributions: normal	17,069	17,359
Employees' contributions: purchase of added years and added pension	1,519	1,550
	88,540	88,463

In 2019-20, £70.5 million employers' contributions, £16 million employees contributions and £1.5 million added years contributions are forecast.

4. Transfers in

	2018-19	2017-18
	£'000	£'000
Individual Transfers in from other Schemes	4,038	2,657
	4,038	2,657

5. Service cost

	Notes	2018-19	2017-18
		£'000	£'000
Current service cost	15.10	149,000	137,000
Past service cost	15.10	-	4,000
		149,000	141,000

6. Enhancements

	31 March 2019	2017-18
	£'000	£'000
Enhancements	2,000	2,000
	2,000	2,000

7. Other pension income

	2018-19	2017-18
	£'000	£'000
Amounts receivable in respect of :	143	230
Other income	143	230

8. Additional Voluntary Contributions

There are no AVC payments made through the Pension Schemes. Any AVCs made are free standing additional voluntary contributions which are private arrangements between the employee and the relevant institutions, and details cannot be included in these accounts. Details of arrangements whereby employees can make AVCs can be found in paragraph 40 of the Annual Report.

9. Administration costs

	2018-19	2017-18
	£'000	£'000
Total running costs	572	790
Pensioner payroll agency fees	-	18
Auditors' remuneration	41	41
Actuarial charges	168	68
Bank Charges	3	3
	784	920

10. Pension financing cost

	2018-19	2017-18
	£'000	£'000
Interest charge for the year	134,000	145,000

11. Compensation benefits payable

There is no liability to the Pension Schemes as all compensation payments are funded by UKRI.

12. Receivables - contributions due in respect of pensions

	31 March 2019	31 March 2018
	£'000	£'000
12a Analysis by receipt type		
Prepaid lump sums	1,120	1,001
Pension contributions due from employers and employees	650	1,334
Other receivables	220	70
	1,990	2,405

13. Cash and cash equivalents

	31 March 2019	31 March 2018
	£'000	£'000
Balance at 1 April	39,459	25,164
Net change in cash balances	12,216	14,295
Balance at 31 March	<u>51,675</u>	<u>39,459</u>

The following balances at 31 March were held at:

Government Banking Service	<u>51,675</u>	<u>39,459</u>
Balance at 31 March	<u>51,675</u>	<u>39,459</u>

14. Payables - in respect of pensions

	31 March 2019	31 March 2018
	£'000	£'000
14a Analysis by expenditure type		
Payables to UKRI	-	808
Other payables (including administration expenses)	2,743	1,707
Audit fee payable	41	41
	<u>2,784</u>	<u>2,556</u>

15. Pension liabilities

15.1 Assumptions underpinning the pension liability

The Research Councils' Pension Schemes are unfunded defined-benefit Schemes. The Report of the Actuary on pages 9 to 13 sets out the scope, methodology and results of the work the actuary has carried out. An actuarial valuation was carried out at 31 March 2019 by the Government Actuary's Department. The major assumptions used by the Actuary were:

	At 31 March 2019	At 31 March 2018	At 31 March 2017	At 31 March 2016	At 31 March 2015
Inflation	2.60%	2.45%	2.55%	2.20%	2.20%
Earnings increase	4.10%	3.95%	4.55%	4.20%	4.20%
Notional discount rate used to discount the Schemes' liabilities	2.90%	2.55%	2.80%	3.60%	3.55%
Discount rate net of inflation	0.29%	0.10%	0.25%	1.40%	1.35%
Rate of return in excess of pension increases CPI	0.29%	0.10%	0.24%	1.37%	1.30%

The life expectancy of normal-health current pensioners at age 60 for men is 28.7 (2017-18: 28.6) and for women is 29.7 (2017- 18: 29.6). The life expectancy of normal-health future pensioners at age 60 for men is 31.9 (2017-18: 31.8) and for women is 33.0 (2017-18: 32.6).

The life expectancy of normal-health current pensioners at age 65 for men is 23.8 (2017-18: 23.7) and for women is 24.8 (2017- 18: 24.7).

15.2

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 pensioners 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; and
- Following consultation with the actuary, the key assumptions that should be used to value the Scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

15.3

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.

15.4

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. The actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the scheme liabilities. However, the Schemes' Managers acknowledge that the valuation reported in these 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.

15.5

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on high quality corporate bonds. The rates are set out in the table above. Any decrease in the rate leads to a significant increase in the reported liability.

15.6

In reality, the complexity and range of assumptions underlying the calculation of the pension liability are such that a change in one financial assumption is likely to have a knock-on effect on other financial assumptions. The Schemes' Managers do not consider it useful to attempt to reflect the impact of any changes in the range of assumptions, since this would result in giving a range of inherently uncertain figures. In the opinion of the Schemes' Managers, the actuary has used key assumptions that are the most appropriate for the scheme in the light of current knowledge.

15.7

The value of the 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 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 15.10. Note 15.14 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.

15.8

The reforms due to be implemented in April 2018 relating to age retirement and the increased member contributions being phased in from April 2012 may affect the behaviour of members. The age retirement rates adopted reflect recent experience and allow for the expected impact of the reformed scheme on members retirement behaviour in future.

15.9 Analysis of the provision for pension liability

	2018-19	2017-18	2016-17	2015-16	2014-15
	£ million	£ million	£ million	£ million	£ million
RCPS					
Active members	1,780	1,869	1,886	1,542	1,538
Deferred members	907	937	934	710	805
Current pensioners	2,057	2,033	1,931	1,415	1,487
Total	4,744	4,839	4,751	3,667	3,830
Closed Schemes					
	£ million	£ million	£ million	£ million	£ million
Deferred members	53	54	54	72	80
Current pensioners	357	375	363	425	450
Total	410	429	417	497	530
Total provision for pension	5,154	5,268	5,168	4,164	4,360

Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, IAS19 requires that the approximate effects on the actuarial liability as at 31 March 2019 of changes to the significant actuarial assumptions.

The most significant assumptions are the discount rate, general earnings increases, and pension increase (currently based on CPI). A key demographic assumption is pensioner mortality.

As a result of the ongoing discussions on scheme reform, there remains significant uncertainty associated with how members will retire in future. Assumed patterns of age retirement after normal pension age can have a significant impact on liabilities in the final salary sections. So an indication of the approximate effect on the total past service liability of non-Nuvos members retiring one year later has been included.

The table that follows shows the indicative effects on the total liability as at 31 March 2019 of changes to these assumptions rounded to the nearest 0.5 per cent.

Change in assumption	Approximate effect on total liability*	
Rate of return		
(i) discount rate: +0.5% a year	-9.5%	-490 million
(ii) earnings increases: +0.5% a year	1.0%	50 million
(iii) pension increases: +0.5% a year	8.5%	440 million
Pensioner mortality		
(iv) additional one-year increase to life expectancy at retirement:	3.0%	155 million

15.10 Analysis of movements in the Schemes' liability

	Notes	2018-19 £'000	2017-18 £'000
Schemes' liability at 1 April		5,269,135	5,168,006
Adjustment to start of year liability			-
Current service cost	5	149,000	137,000
Past service cost	5	-	4,000
Pension financing cost	10	134,000	145,000
Enhancements	6	2,000	2,000
Pension transfers in	4	4,038	2,657
Benefits payable	15.12	(152,889)	(150,166)
Payments to or on account of leavers	15.13	(2,020)	(2,385)
Analysis of actuarial losses/(gains) on the Schemes' liabilities	15.14	(249,000)	(36,977)
		(114,871)	101,129
Schemes' liability at 31 March		5,154,264	5,269,135

15.11

During the year ended 31 March 2019, employer and employee contributions represented an average of 35.8 per cent of pensionable salaries (2017-18: 35.8 percent). The employer's pension rate for 2018-19 and future years until further notice will be 26.0 per cent.

15.12 Analysis of benefits paid

	2018-19 £'000	2017-18 £'000
Pensions to retired employees and dependents (net of recoveries or overpayments)	(137,640)	(132,226)
Commutations and lump sum benefits on retirement or death	(15,249)	(17,940)
As per Combined Statement of Cash Flows	(152,889)	(150,166)

15.13 Analysis of payments to or on account of leavers

	2018-19 £'000	2017-18 £'000
Refunds to members leaving service	(526)	(731)
Individual transfers to other Schemes	(1,494)	(1,654)
As per Combined Statement of Cash Flows	(2,020)	(2,385)

15.14 Analysis of actuarial (gains)/losses on the Schemes' liabilities

	2018-19 £'000	2017-18 £'000
Experience (gains)/losses arising on the Schemes' liabilities	(37,000)	24,023
Change in assumptions underlying the present value of Schemes' liabilities	(212,000)	(61,000)
As per combined Statement of Comprehensive Net Expenditure	(249,000)	(36,977)

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

	Actual (gains)/losses £'000	Experience (gains)/losses £'000	Percentage of the Schemes' liabilities at 31 March
2018-19	(212,000)	(37,000)	0.7%
2017-18	(61,000)	24,023	0.4%
2016-17	901,000	(4,000)	0.0%
2015-16	(260,000)	(66,000)	1.6%
2014-15	469,000	(103,000)	2.4%

16. Annual compensation payments pre-funded by employers

Annual compensation payments are payments to early retirees in advance of their pension entitlements under the Research Councils' Pension Schemes. These payments are made by the Pension Schemes and are reimbursed by the employer. The balances are for ACPs payable in the next 10 years, as employees can leave employment at 55 instead of 65 for men and 60 for women.

	2018-19 £'000	2017-18 £'000
Balance at 1 April	814	1,922
Amount paid in year to the Pension Schemes	(349)	(1,108)
Addition in year	11	-
Release in year	-	-
Balance at 31 March	<u>476</u>	<u>814</u>
To be used in the next 12 months	345	366
To be used after more than 12 months	131	448

17. Grant-in-Aid

Grant-in-Aid is provided from the Department for Business, Energy and Industrial Strategy (BEIS) Request for Resources to the Biotechnology and Biological Sciences Research Council (BBSRC), as the Council with responsibility for administering the Schemes' finances. The allocation for 2018-19 was £74.0 million (2017-18 was £69.5 million) all of which was drawn down by the Pension Schemes.

18. Related Party Transactions

UKRI is a Non-Departmental Public body sponsored by the Department for Business, Energy and Industrial Strategy (BEIS).

BEIS is regarded as a related party. During the period 1 April 2018 to 31 March 2019 the Research Councils' Pension Schemes had various material transactions with UKSBS and UKRI, for which BEIS is regarded as the parent Department.

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. In addition, the Schemes have had material transactions in the form of contributions from employers whose employees are members of the Schemes.

Related Party Transactions

	Pension Contributions		Receivables		Payables	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
	£'000	£'000	£'000	£'000	£'000	£'000
Transactions with Research Councils						
BBSRC	-	2,388	-	11	-	849
EPSRC	-	2,383	-	-	-	-
ESRC	-	1,191	-	-	-	-
NERC	-	20,548	-	11	-	-
STFC	-	25,725	-	29	-	-
Innovate UK	-	3,776	-	-	-	-
AHRC	-	1,163	-	1	-	-
MRC	-	-	-	-	-	-
UKRI	51,197	-	86	-	600	-
Transactions with other employers						
Scottish Employers	2,596	2,739	276	-	-	-
UKSBS Ltd	3,325	3,283	1	2	-	-
Other	12,835	6,358	1,594	140	474	-
Total	69,953	69,554	1,957	194	1,074	849

19. Losses and Special Payments

As per paragraph 29, on Guaranteed Minimum Pensions, the reconciliation work identified that there were £339k of historic overpayments made to existing pensioners which are classified as a loss. There were no other losses or special payment within the year incurred by RCPS.

20. Events after the reporting period

There were no reportable events after the Reporting Period between the year end and the Comptroller and Auditor General certified the accounts, the date when the accounts were authorised for issue. The financial statements do not reflect events after this date.

21. Financial Instruments

As the cash requirements of the Schemes are met through the 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 financial instruments relate to contracts for non-financial items in line with the Schemes' expected purchase and usage requirements. The Schemes are therefore exposed to little credit, liquidity or market risk.

22. Contingent Liabilities

The scheme has identified a number of pension payments that are currently being underpaid. This only impacts Premium members and is due to an omission in the calculation of final pensionable salary. The amounts underpaid are not currently quantifiable, however management do not anticipate these to be material. A plan is in place to rectify the issue and reimburse all impacted members.

