

# Research Councils' Pension Schemes Accounts 2019-20



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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 2019-20 Government Financial Reporting Manual (FReM, published at [www.financial-reporting.gov.uk](http://www.financial-reporting.gov.uk)) issued by HM Treasury.
- 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's expenditure financed by Grant-in-Aid provided from the Department for Business, Energy and Industrial Strategy.

## Management of the Scheme

- 3 The RCPS is administered by Joint Superannuation Services (JSS), part of UK Research and Innovation. The RCPS Management Board act as trustees of the Scheme and comprises representatives from the main participating employers along with a Trade Union representative. The RCPS Management Board are accountable to the Accounting Officer. The Accounting Officer for the Scheme is designated by the Accounting Officer of the Department for Business, Energy and Industrial Strategy (BEIS).

## Description of pension schemes

- 4 The Nuvo 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.
- 5 The Nuvo 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.
- 6 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.
- 7 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.
- 8 The employee contribution rates and calculation methods are by analogy with the PCSPS rates. For the period 1 April 2019 to 31 March 2020 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

- 9 The pension scheme operates on a pay-as-you-go basis and is principally funded by employer and employee contributions from participating organisations. The employer 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, the Department for Business, Energy and Industrial Strategy (BEIS).

### Pension Increases

- 10 Pensions are increased in accordance with the Pensions (Increase) Act 1971 and the Social Security Pensions Act 1975, with annual increases being determined by the prevailing Pensions (Increase) Order. The increase is applied on the first Monday after 6 April each year. In April 2019 pensions in pay were increased by 2.4 per cent, and will be increased by 1.7 per cent in April 2020.

### Eligible staff

- 11 All employees of the Participating Employers (paragraph 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 by their employer.

### Information for members

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

### Auditors

- 13 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 £45,000 (2018-19: £41,100).
- 14 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.
- 15 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.
- 16 No non-audit work was performed by the auditors on behalf of the RCPS during the year.

### Participating employers

- 17 During 2019-20 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

- 18 The following organisations participate in the RCPS as Admitted Bodies and had active members enrolled in the Scheme during 2019-20:

- 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
- National Oceanography Centre (from 1 November 2019)
- UK Centre of Ecology & Hydrology (from 1 December 2019)

### Actuarial Valuation

- 19 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. Formal actuarial valuations are used to determine the contribution rates.
- 20 An actuarial valuation as at 31 March 2006 was completed in 2008-09 which set the employer contribution rate at 26 percent. A valuation as at 31 March 2010 was suspended by HM Treasury whilst public service pensions were being reviewed by Lord Hutton. The valuation process re-started in 2014, with a valuation as at 31 March 2012. This process began at the same time as HM Treasury started 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 based on different reform approaches, including the use of data as at 31 March 2016 to estimate future funding and contribution rates.
- 21 In February 2019 the RCPS Management Board decided that a formal actuarial valuation as at 31 March 2018 should be completed to bring the scheme in line with other public sector scheme valuations and to reflect the current financial assumptions and rates set in HM Treasury 2018 Valuation Directions. The Government Actuary's Department (GAD) was commissioned to undertake the valuation and this was completed in June 2020. The implementation of any changes to the current employer contribution rates will be determined by the RCPS Management Board in discussion with GAD, scheme employers and HM Treasury. If changes are necessary, it is likely they will be implemented from April 2021. The employer contribution rate for 2020-21 will remain at 26 percent.

### Changes and events during 2019-20

- 22 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, in due to the legislation under which Alpha was created.
- 23 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 instructed unreformed schemes to postpone transfers to the Civil Service pension arrangements due to ongoing litigation between the Government and the judicial and firefighters' pension schemes. In December 2018 the Court of Appeal ruled that some of the changes introduced in 2015 were unlawful on the grounds of age discrimination; the Government decided that this ruling applied to all reformed schemes, including the PCSPS. The ruling has been remitted to the Employment Tribunal to determine a remedy.
- 24 The RCPS Management Board decided that the RCPS should continue as is until the PCSPS have addressed the age discrimination issue. 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.
- 25 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 July 2020 while the Civil Service Scheme Manager engages with member representatives.
- 26 During the year, UK Research and Innovation (UKRI) changed the governance structures of two of its' funded research centres within the Natural Environment Research Council (NERC). UKRI transferred staff to the National Oceanography Centre (NOC) and UK Centre for Ecology and Hydrology (UKCEH) when they became new independent organisations on 1 November 2019 and 1 December 2019 respectively. NOC and UKCEH joined the RCPS as Admitted Bodies under the 2013 New Fair Deal policy for pensions and staff transfers. Admitted Bodies are not permitted to enter new staff into the RCPS. Membership only applies to staff that were transferred from UKRI.

- 27 JSS have been undertaking an internal review of all Premium scheme member pensions in payment to ensure the correct level of pension is being paid. The review was set up to check each members' best pensionable pay, taking into account inflation rates, going back a full 13 years or when the member joined the scheme if this is a shorter period. Prior to this review the standard practice was to check for the best Pensionable Pay over the last 3 years of service unless JSS had reason to suspect a higher Pensionable Pay from an earlier period or the member asked JSS to check an earlier period. During 2019-20, 219 pensions were revised resulting in £833k being paid for arrears to members. All members were sent a letter explaining the reason for revision. There are 107 cases remaining, which will be reviewed during 2020-21. All preserved awards were revised in March 2019.

### COVID-19

- 28 JSS implemented contingency measures to ensure the key elements of the pension administration service can continue, specifically the payment of pension benefits. Priority will be given to ensuring payments continue and changes affecting benefit entitlements are actioned efficiently and effectively. JSS are also following guidance issued by The Pensions Regulator and The Pensions Administration Standards Association in relation to COVID-19 and pension administration. Some activities have been paused, for example individual transfer requests and members are being communicated with accordingly.

### Changes anticipated

- 29 The impact on the RCPS of the Court of Appeal's ruling on age discrimination arising from changes made in the firefighters and judicial pension schemes is uncertain. In the meantime, the RCPS continues as is. This mitigates the risk of the RCPS members transferring to a scheme that is unlawful, and 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.
- 30 A statutory Public Sector Exit Pay Cap of of £95,000 is expected to be brought in to effect during 2020-21. The Enterprise Act 2016 allowed the creation of regulations to set the cap, a limit on the total value of the exit package per employee. Since September 2016 the cap has been applied as a policy by the Government while draft regulations are developed.
- 31 The RCPS continues to apply HM Treasury's Guaranteed Minimum Pension (GMP) interim solution for public service pension scheme members who reach Scheme Pension Age on or before 5 April 2021. This meets the obligations of government to index and equalise public service pensions whilst HM Treasury reviews implementing conversion as a longer-term solution.

### Review of the financial statements

- 32 For the year ended 31 March 2020 there was overall net expenditure of £229.8 million (2018-19: £196.6 million).
- 33 Income was £90.5 million in 2019-20 compared to £93.3 million for 2018-19.
- 34 In 2019-20 the pension liability increased by £1,000 million from £5,200 million to £6,200 million, mainly due to actuarial losses of £849 million, interest on scheme liabilities of £149 million, current service cost of £143m and payments out for pensioners of (£159.5 million). A full breakdown of the movement in the pension liability can be found in note 15.10 of the accounts.

### Freestanding Additional Voluntary Contributions

- 35 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**

	<b>31 March 2020</b>	31 March 2019
	<b>No.</b>	No.
<b>New Schemes</b>		
Current members in Service	6,891	7,168
Pensions in Payment	9,768	9,441
Early Retirements	3	11
Preserved Pensions	9,150	9,097
<b>Total</b>	<b>25,812</b>	<b>25,717</b>
<b>Old Schemes</b>		
Pensions in Payment	4,634	4,741
Preserved Pensions	755	863
<b>Total</b>	<b>5,389</b>	<b>5,604</b>
<b>GRAND TOTAL</b>	<b>31,201</b>	<b>31,321</b>
	<b>2019-20</b>	2018-19
	<b>No.</b>	No.
Members in Service at 1 April 2019	7,168	7,459
Adjustment resulting from changes notified in current year	28	(9)
Adjusted figure for 1 April	7,196	7,450
New members in year	428	538
Leavers and retirements in year	(733)	(820)
<b>Members in Service at 31 March 2020</b>	<b>6,891</b>	<b>7,168</b>
	<b>31 March 2020</b>	31 March 2019
	<b>No.</b>	<b>No.</b>
Current members in service by Scheme		
Classic Scheme	1,517	1,666
Classic Plus Scheme	157	169
Premium Scheme	1,156	1,222
Nuvos Scheme	4,061	4,111
<b>Members in Service at 31 March</b>	<b>6,891</b>	<b>7,168</b>
Holders of Partnership Pension Accounts	113	117

36 UKSBS and Diamond Light Source are now the only participating employers that enrol all new staff into the RCPS. Consequently, new entrants to the RCPS decreased by 20.4 percent from 2018-19 to 2019-20.

37 Pensions in payment have increased by 1.6 percent and preserved (deferred) members decreased by 0.6 percent. Total scheme membership as at 31 March 2020 has decreased by 0.4 percent to 31,201 compared to 31,321 as at 31 March 2019.

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

## **Accounting Officer, Manager, Advisers and Employers**

### **Accounting Officer:**

Dame Ottoline Leyser

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

Dame Ottoline Leyser was appointed Chief Executive of UK Research and Innovation, becoming Accounting Officer for UK Research and Innovation and for the RCPS from 29 June 2020.

### **Scheme Manager and Administrator:**

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 (UKSBS)

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/>

Dame Ottoline Leyser

UK Research and Innovation Chief Executive and RCPS Accounting Officer

Date: 8th July 2020

# Statement by the Actuary<sup>1</sup>

## 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 2020, and the movement in the scheme liability over the year 2019-20, prepared in accordance with the requirements of Chapter 9 of the 2019-20 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 2018 based on the data provided as at 31 March 2018 and rolling forward that liability to 31 March 2020.

## COVID-19 implications

- A.4 The 2019-20 Resource Accounts are being produced at a time when the UK is in the midst of dealing with the COVID-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Resource Accounts.
- A.5 The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2019) 11 Revised, dated 6 December 2019, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.
- A6 The long-term salary assumption is set by RCPS, having taken actuarial advice, and is intended to be an average over the future careers of scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The increase in the amount of Government debt being taken on to pay for its response to the COVID-19 pandemic is likely to affect salary growth. However, at this stage, it is too early to speculate on the potential impacts for the long-term salary growth. Therefore, I do not believe there is any information to justify changing the salary assumption.
- A.7 The current population mortality projections make no specific allowance for the impact of COVID-19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality, and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short-term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. My view is that it is too early in the pandemic to determine whether COVID-19 changes the long-term view of life expectancy in the UK. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from COVID-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain over the next year's accounts.

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

A.8 **Membership data**

Tables A to C summarise the principal membership data as at 31 March 2018 used to prepare this statement.

**Table A – Active members**

	<b>Number of members</b>	<b>Total pensionable pay* (pa) £ millions</b>
<b>Males</b>	4,438	173.4
<b>Females</b>	3,011	94.3
<b>Total</b>	7,449	267.7

\* Pensionable pay is the Actual pay figure.

**Table B – Deferred members**

	<b>Number of members</b>	<b>Total deferred pension* (pa) £ millions</b>
<b>Males</b>	5,159	21.8
<b>Females</b>	5,014	16.2
<b>Total</b>	10,173	38.0

\* Pension amounts do not include the pension increase granted in April 2018

**Table C – Pensions in payment**

	<b>Number of members</b>	<b>Annual pension* (pa) £ millions</b>
<b>Males</b>	7,231	96.0
<b>Females</b>	4,825	25.3
<b>Spouses &amp; dependants</b>	2,047	11.2
<b>Total</b>	14,103	132.5

\* Pension amounts do not include the pension increase granted in April 2018

## Methodology

A.9 The present value of the liabilities as at 31 March 2020 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 2020. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2020 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 2019 in the 2018-19 accounts.

A.10 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.11 The principal financial assumptions adopted to prepare this statement are shown in Table D.

**Table D – Principal financial assumptions**

<b>Assumption</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
Nominal discount rate	1.80%	2.90%
Rate of pension increases	2.35%	2.60%
Rate of general pay increases	4.10%	4.10%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of: Pension increases	(0.5%)	0.29%
Long-term pay increases	(2.20)%	(1.15)%
Expected return on assets:	n/a	n/a

A.12 The assessment of the liabilities allows for the known pension increases up to and including April 2020.

## Demographic assumptions

A.13 Table E summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the scheme membership, and other relevant sources. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the 'S3 tables' with the percentage adjustments to those tables derived from scheme experience.

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

<b>Baseline mortality</b>	<b>2019/20</b>	<b>2018/19</b>
<b>Retirements in normal health</b>		
Males	94 % of S3NMA mortality	87 % of S1NMA mortality
Females	102 % of S3NFA (Middle) mortality	98 % of S1NFA mortality
<b>Ill-health pensioners</b>		
Males	100 % of S3IMA mortality	100 % of S1IMA mortality
Females	100 % of S3IFA mortality	100 % of S1IFA mortality
<b>Dependants</b>		
Males	100 % of S3NMA mortality	100 % of S1NMA mortality
Females	79 % of S3DFA mortality	104 % of S1DFA mortality

A.14 The equivalent assumptions adopted for the 31 March 2019 are shown for comparison in table E.

A.15 For the 2018-19 accounts, future improvements in mortality were assumed to be in line with the 2016-based principal population projections published by the Office for National Statistics (ONS). Mortality improvements are now assumed to be in line with the latest 2018-based projections for the United Kingdom published by the ONS in October 2019, which leads to a reduction in life expectancies.

## Liabilities

A.16 Table F summarises the assessed value as at 31 March 2020 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs 8 to 15. The corresponding figures for the previous year are shown for comparison.

**Table F – Statement of Financial Position**

<b>£ Millions</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Total market value of assets</b>	nil	nil
<b>Value of liabilities</b>	6,160	5,154
<b>Deficit</b>	(6,160)	(5,154)
<b>of which recoverable by employers</b>	n/a	n/a

**Accruing costs**

- A.17 The cost of benefits accrued in the year ended 31 March 2020 (the current service cost) is assessed as 53.2 percent of pensionable pay.
- A.18 For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. Members contributed between 4.6 and 8.1 percent 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 2019-20 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2019-20 accounts.

**Table G – Contribution rate**

	<b>2019-20</b>	<b>2018-19</b>
	<b>% of pay</b>	<b>% of pay</b>
Employer contributions (including expenses <sup>2</sup> )	26.0%	26.0%
Employee contributions (average)	6.5%	6.4%
<b>Total contributions</b>	<b>32.5%</b>	<b>32.4%</b>
<b>Current service cost (expressed as a % of pay)</b>	<b>53.2%</b>	<b>55.2%</b>

- A.19 The key difference between the assumptions used for funding valuations and accounts is the discount rate, although price inflation and salary increases are also determined differently. The discount rate for accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.
- A.20 The pensionable payroll for the financial year 2019-20 was £268 million (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2019-20 (at 53.2 percent of pay) is assessed to be £143 million.
- A.21 Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. A past service cost of £22 million has been determined in respect of the additional liabilities for the indexation and equalisation of Guaranteed Minimum Pensions (GMP) in public service pension schemes for members reaching State Pension age after 6 April 2021. I am not aware of any other events that have led to a material past service cost over 2019-20.
- A.22 I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2019-20.

<sup>2</sup> 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.23 The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2020 of changes to the most significant actuarial assumptions.

A.24 The most significant financial assumptions are the discount rate, general earnings increases, and pension increases, which are currently based on the CPI. A key demographic assumption is pensioner mortality.

A.25 Table H shows the indicative effects on the total liability as at 31 March 2020 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	
<b>Financial assumptions</b>		
(i) discount rate*:	+0.5% p.a.	-9.5%    -£585 million
(ii) (long-term) earnings increase*:	+0.5% p.a.	+1.0%    +£62 million
(iii) pension increases*:	+0.5% p.a.	+9.5%    +£585 million
<b>Demographic assumptions</b>		
(iv) additional one year increase in life expectancy at retirement		+3.0%    +£185 million

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

Sandra Bell  
 Chief Actuary  
 Government Actuary's Department  
 26th June 2020

## 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 2020 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 2020 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.

As UKRI's and the RCPS Accounting Officer, in preparing the accounts, I am 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 State, 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 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.
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

My Accounting Officer responsibilities are fully set out in *Managing Public Money*, published by HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that UK Research and Innovation's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

All reasonable steps have been taken to ensure 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 judgments required for determining that it is fair, balanced and understandable.

# Governance Statement by Accounting Officer

## 1. SCOPE OF RESPONSIBILITY

The Governance Statement, for which I take personal responsibility, gives a clear understanding of the dynamics of the RCPS, its governance, risk and internal 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 policies, aims and objectives, whilst safeguarding the public funds and the RCPS assets. I am also accountable for ensuring the RCPS is administered prudently and economically and that resources are applied in accordance with HM Treasury's 'Managing Public Money' guidance and the responsibilities assigned to me by the Department of Business, Energy and Industrial Strategy (BEIS).

## 2. THE PURPOSE OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore provide only 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 the policies, aims and objectives of the RCPS, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

## 3. CAPACITY TO HANDLE RISK

As Accounting Officer, I have overall responsibility for ensuring there is an effective risk management system in place within the RCPS for meeting all relevant statutory requirements, and for ensuring adherence to guidance.

## 4. 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.

### 4.1 RCPS Management Board

The RCPS Management Board (Board) is ordinarily chaired by the UKRI Chief People Officer (CPO). John Arnott was CPO until the end of May 2019 when he returned to UKSBS as Strategy Director. John Arnott continued to chair the Board in the interim until a new permanent CPO was in post. Sue Donaldson joined UKRI in March 2020 as their new CPO and will chair the Board from June 2020.

The Board comprises representatives from the participating employers and a Trade Union representative. The Board acts as trustee 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 by JSS.

Andrea Ward, Director of Finance and Corporate Services at Diamond Light Source joined the Board in September 2019.

The RCPS Management Board met four times during 2019-20. Board members and their attendance at those meetings were:

Board Member	Organisation	Attendance
John Arnott	Chair of the Board (UKSBS)	4/4
Tanya Robinson	UKRI	2/4
Angela Stead	UKRI	2/4
Jerry Snewin	UKRI	3/4
Anne Shaw	UKRI	3/4
Andrea Ward	Diamond Light Source	2/2
Andrew Aitken	Diamond Light Source	2/2
Crispin Dawe	UK Shared Business Services Ltd (UKSBS)	4/4
Colin McInnes	More dun Research Institute	2/4
Tony Bell	Prospect Trade Union	0/4

## 4.2 Audit, Risk, Assurance and Performance Committee

The UKRI Audit, Risk, Assurance and Performance Committee (ARAPC) is chaired by Fiona Driscoll, a Non-Executive Board Member of UKRI.

The role of the 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 the RCPS. The 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.

Information on the membership and attendance at meetings for the UKRI ARAPC can be found in the UKRI Annual Report and Accounts 2019-20.

## 4.3 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.

## 5. THE RISK AND INTERNAL CONTROL FRAMEWORK

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

### 5.1 Risk Management

Overall responsibility for risk management within the RCPS rests with me as Accounting Officer. UKRI has a robust risk management framework designed to support informed decision-making concerning the risks that affect our ability to achieve our objectives. The framework provides a consistent approach to identifying, assessing and dealing with risks facing us, to ensure that they do not exceed the level of risk the organisation is willing to accept. The framework is designed to manage, rather than eliminate, the risks to UKRI's objectives.

The UKRI Risk Management Framework includes a risk management policy and strategy. The risk management framework is supported by a central team with qualified risk business partners to embed effective risk management across UKRI and the RCPS. The UKRI risk management framework complies with the requirements of HM Government's Orange Book.

A recent internal audit report on UKRI's risk management provided a moderate assurance rating. Through its Risk Management Strategy, UKRI has set a clear ambition for the next two years to embed a structured approach to risk management.

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 four 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 that appropriate mitigating actions are being taken to manage risk in line with the RCPS risk appetite. The RCPS specific risks are now included within UKRI's central risk register and the RCPS also now has a dedicated risk business partner.

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.

The activities of the GIAA in respect of the RCPS are reviewed by the Audit, Risk, Assurance and Performance Committee (ARAPC) and the scope of the internal audit plan for the coming year, which is based on the overall assessment of risk, is agreed. The ARAPC reviews the RCPS Annual Report and Accounts and the NAO Audit Report on the RCPS and plays a pivotal role in evaluating and reviewing the evidence supporting the Accounting Officer's assurance statement on internal control.

## 5.2 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 and guidelines.

I confirm that for 2019-20:

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.

## 5.4 Information governance and security

Information security is the cornerstone in the design and implementation of the information services UKRI provides to its employees including those in JSS, and in how it protects its staff and information from attack and compromise. Information security is a key corporate risks. It is reviewed regularly by UKRI's executive leadership and actively managed through appropriate mitigating actions.

UKRI implements best practice throughout its Information Security framework, informed by the Cyber Essentials Scheme, 10 Steps to Cyber Security, the National Cyber Security Centre's advice and the Government's Information Security Framework. During the year, the information governance framework continued to be developed within UKRI and the UKRI Information Security function continued to develop its services, policies and standards to ensure a consistent approach across the organisation.

The Data and Information Governance Committee, reporting to the People, Finance and Operations Committee, promotes strategic interaction between all key data and information stakeholders to ensure that data and information are valued, accessible, and protected where appropriate.

UKRI has an ongoing programme of work to continue embedding best practice across the organisation and to deliver sustained Data Protection Act and GDPR compliance. Non-compliance with data protection principles is a key risk that is actively managed through appropriate mitigating actions.

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 the RCPS continue to monitor and assess their information risks to identify and address any weaknesses and ensure continuous improvement of their systems and procedures.

## 5.5 Data Protection and the 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 that 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 that JSS and the RCPS are, and continue to be, compliant with the Data Protection Act and the General Data Protection Regulation. During the year were no reportable breaches or incidents. There were two non-reportable data breaches, breaches that do not need reporting to the ICO. Both instances were due to post being sent to the wrong address. There were two near misses recorded and action was taken by the Data Protection Officer to minimise possible recurrences.

## 6. 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 2019-20 I look to 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 to inform my view.

### 6.1 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 UKRI's framework of governance, risk management and control. In her annual report and opinion, the GCIA has provided a Moderate opinion for 2019-20.

As part of the internal audit programme during 2019-20, GIAA conducted an audit of JSS focusing on contributions paid to the Scheme by UKRI, as well as following up on prior year recommendations. A Substantial opinion was provided. One recommendation was made by GIAA which was accepted by JSS and the Chair of the RCPS Management Board and has been completed.

### 6.2 Effectiveness of Whistleblowing Arrangements

UKRI has a 'Freedom to Speak Up' policy and procedure, including a new external whistleblowing hotline. ARAPC Chair, Fiona Driscoll, has continued in her role as 'Freedom to Speak Guardian'. There were no whistleblowing cases relating to the RCPS raised this year and one UKRI case raised. No common themes or specific risks were identified.

### 6.3 UK Shared Business Services Ltd (UK SBS Ltd) Assurance

In 2019-20, UKRI and JSS received services from UK Shared Business Services Ltd (UK SBS), another BEIS partner organisation, which also provides services to BEIS. UKRI receives regular assurance reports from UK SBS on the design and effectiveness of its internal control framework.

Further narrative is available in the Governance Statement for UK SBS, which is published separately as part of its Annual Report and Accounts.

### 6.4 External Audit

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

## 7 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 consider 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 2020, the register had 12 risks which had been agreed and were being monitored with effective controls and mitigation plans in place. Of the 12 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.

## 7.1 COVID-19

JSS has implemented contingency measures to ensure it can continue to provide the key elements of the pension administration service, specifically; pay pension benefits to pensioners and other benefit recipients. Priority will be given to ensuring that payments continue and that changes affecting benefit entitlements are actioned efficiently and effectively. JSS are also following guidance issued by The Pensions Regulator and The Pensions Administration Standards Association in relation to COVID-19 and pension administration. Some activities have been paused, for example individual transfer requests and members are being communicated with accordingly. The annual pension increase was applied in April 2020 and confirmation letters were sent to pensioner and preserved (deferred) members.

## 8. 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 accounts and evidence provided with regards to the production of the Annual Governance Statement and the independent advice and assurance of GIAA and the ARAPC.

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.

As with other organisations of our size and complexity, there will always be a number of risks to manage at any one time, but I am fully satisfied that the governance arrangements that were in place throughout this financial year have been sufficient to continue managing risks effectively.

Based on the review outlined above, I conclude that UKRI and the RCPS have a sound system of governance, risk management and internal control that supports the department's aims and objectives for 2019-2020.

Dame Ottoline Leysler  
UK Research and Innovation Chief Executive and RCPS Accounting Officer  
Date: 8th July 2020

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

## Opinion on financial statements

I certify that I have audited the financial statements of Research Councils' Pension Scheme for the year ended 31 March 2020 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 Scheme's affairs as at 31 March 2020 and of the Scheme's 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 income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 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 are 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.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### Other Information

The Accounting Officer are 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 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: 16th July 2020

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

## Combined Statement of Comprehensive Net Expenditure for the period ended 31 March 2020

	Notes	2019-20		2018-19
		£'000	£'000	£'000
<b>Principal Arrangements - Research Councils' Pension Schemes</b>				
<b>Income</b>				
Contributions receivable	3		<b>88,019</b>	88,540
Transfers in: individuals	4		<b>1,535</b>	4,038
Other pension income	7		<b>212</b>	143
Recoveries			<b>742</b>	545
			<b>90,508</b>	93,266
<b>Expenditure</b>				
Service cost	5	<b>143,000</b>		149,000
Past service cost	5	<b>22,000</b>		-
Transfers in	4	<b>1,535</b>		4,038
Enhancements	6	<b>3,715</b>		2,000
Pension financing cost	10	<b>149,000</b>		134,000
Administration costs	9	<b>1,073</b>		784
			<b>(320,323)</b>	(289,822)
<b>Combined Net (Expenditure) for the year</b>			<b>(229,815)</b>	(196,556)
<b>Other Comprehensive Net Expenditure</b>				
Actuarial (losses)/gains	15.14		<b>(848,776)</b>	249,000
<b>Total Comprehensive Net Income/(Expenditure) for the period</b>			<b>(1,078,591)</b>	52,444

All activities are regarded as continuing.

The notes on pages 25-34 form an integral part of these accounts.

## Combined Statement of Financial Position as at 31 March 2020

	Notes	31 March 2020 £'000	31 March 2019 £'000
<b>Current assets</b>			
Receivables	12	2,405	1,990
Cash and cash equivalents	13	36,827	51,675
<b>Total current assets</b>		<b>39,232</b>	<b>53,665</b>
<b>Current liabilities</b>			
Payables (amounts falling due within one year)	14	(1,916)	(2,784)
<b>Net current assets, excluding pension liability</b>		<b>37,316</b>	<b>50,881</b>
Pension liability	15.10	(6,160,790)	(5,154,264)
<b>Net liabilities, including pension liabilities</b>		<b>(6,123,474)</b>	<b>(5,103,383)</b>
<b>Taxpayers' equity</b>			
General fund		(6,123,474)	(5,103,383)

Dame Ottoline Leyser,  
UK Research and Innovation Chief Executive and RCPS Accounting Officer  
Date: 8th July 2020

The notes on pages 25 to 34 form an integral part of these accounts.

## Combined Statement of Changes in Taxpayers' Equity for the period ended 31 March 2020

	Notes	2019-20 £'000	2018-19 £'000
Balance at 1 April		<b>(5,103,383)</b>	(5,229,827)
Adjustment to start of year liability			
Grant in Aid: drawn down	17	<b>58,500</b>	74,000
Combined net expenditure for the year		<b>(229,815)</b>	(196,556)
Actuarial (losses)/gains	15.14	<b>(848,776)</b>	249,000
Balance at 31 March		<b><u>(6,123,474)</u></b>	<u>(5,103,383)</u>

The notes on pages 25-34 form an integral part of these accounts.

## Combined Statement of Cash Flows for the period ended 31 March 2020

	Notes	2019-20 £'000	2018-19 £'000
<b>Cash flows from operating activities</b>			
Combined net (expenditure)/income for the year		<b>(229,815)</b>	(196,556)
(Increase)/Decrease in receivables - principal arrangements		<b>(415)</b>	415
(Decrease)/Increase in payables		<b>(868)</b>	228
<b>Decrease in provision for non-cash transactions</b>			
Current service cost	5	<b>143,000</b>	149,000
Past service cost	5	<b>22,000</b>	-
Interest cost	10	<b>149,000</b>	134,000
Enhancements	6	<b>3,715</b>	2,000
Transfers in	4	<b>1,535</b>	4,038
<b>Use of provisions</b>			
Benefit payments	15.12	<b>(159,452)</b>	(152,889)
Payments to or on account of leavers	15.13	<b>(2,048)</b>	(2,020)
<b>Net cash outflow from operating activities</b>		<b>(73,348)</b>	(61,784)
<b>Cash flows from financing activities</b>			
Grant in Aid	17	<b>58,500</b>	74,000
<b>Net cash flows from financing activities</b>		<b>58,500</b>	74,000
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(14,848)</b>	12,216
Cash and cash equivalents at the beginning of the period	13	<b>51,675</b>	39,459
Cash and cash equivalents at the end of the period	13	<b>36,827</b>	51,675
(Decrease)/increase in cash		<b>(14,848)</b>	12,216

The notes on pages 25-34 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 2019-20 Government Financial Reporting Manual (FRoM) [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/853231/2019-20\\_Government\\_Financial\\_Reporting\\_Manual.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853231/2019-20_Government_Financial_Reporting_Manual.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 FRoM 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 FRoM 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' financial 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 Schemes financial statements 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 2019-20**

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

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

## 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, is 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 calculated 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**

	<b>2019-20</b>	2018-19
	<b>£'000</b>	£'000
Employers' contributions	<b>69,747</b>	69,952
Employees' contributions: normal	<b>16,700</b>	17,069
Employees' contributions: purchase of added years and added pension	<b>1,572</b>	1,519
	<b>88,019</b>	88,540

In 2020-21, £70 million employers' contributions, £17.5 million employees contributions and £1.5 million added years contributions are forecast.

**4. Transfers in**

	<b>2019-20</b>	2018-19
	<b>£'000</b>	£'000
Individual Transfers in from other Schemes	<b>1,535</b>	4,038
	<b>1,535</b>	4,038

**5. Service cost**

	Notes	<b>2019-20</b>	2018-19
		<b>£'000</b>	£'000
Current service cost	15.10	<b>143,000</b>	149,000
Past service cost	15.10	<b>22,000</b>	-
		<b>165,000</b>	149,000

**6. Enhancements**

		<b>2019-20</b>	2018-19
		<b>£'000</b>	£'000
Enhancements	15.10	<b>3,715</b>	2,000
		<b>3,715</b>	2,000

**7. Other pension income**

	<b>2019-20</b>	2018-19
	<b>£'000</b>	£'000
Amounts receivable in respect of:		
Other income	<b>212</b>	143
	<b>212</b>	143

**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 34 of the Annual Report.

**9. Administration costs**

	<b>2019-20</b>	2018-19
	<b>£'000</b>	£'000
Total running costs	<b>688</b>	572
Auditors' remuneration	<b>45</b>	41
Actuarial charges	<b>336</b>	168
Bank Charges	<b>4</b>	3
	<b><u>1,073</u></b>	<u>784</u>

**10. Pension financing cost**

		<b>2019-20</b>	2018-19
		<b>£'000</b>	£'000
Interest charge for the year	15.10	<b><u>149,000</u></b>	<u>134,000</u>

**11. Compensation benefits payable**

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

**12. Receivables - contributions due in respect of pensions**

	<b>31 March 2020</b>	31 March 2019
	<b>£'000</b>	£'000
<b>12a Analysis by receipt type</b>		
Prepaid lump sums	<b>955</b>	1,120
Pension contributions due from employers and employees	<b>1,247</b>	650
Other receivables	<b>203</b>	220
	<b><u>2,405</u></b>	<u>1,990</u>

**13. Cash and cash equivalents**

	<b>31 March 2020</b>	31 March 2019
	<b>£'000</b>	£'000
Balance at 1 April	<b>51,675</b>	39,459
Net change in cash balances	<b>(14,848)</b>	12,216
Balance at 31 March	<b><u>36,827</u></b>	<u>51,675</u>

The following balances at 31 March were held at:

Government Banking Service	<b><u>36,827</u></b>	<u>51,675</u>
Balance at 31 March	<b><u>36,827</u></b>	<u>51,675</u>

**14. Payables - in respect of pensions**

	<b>31 March 2020</b>	31 March 2019
<b>14a Analysis by expenditure type</b>	<b>£'000</b>	£'000
Other payables (including administration expenses)	<b>1,871</b>	2,743
Audit fee payable	<b>45</b>	41
	<b>1,916</b>	2,784

**15. Pension liabilities****15.1 Assumptions underpinning the pension liability**

The Research Councils' Pension Schemes are unfunded defined benefit schemes. The Statement by the Actuary on pages 7 to 12 sets out the scope, methodology and results of the work the actuary has carried out. Each year GAD produce a scheme report and major assumptions used by the Actuary were:

	At 31 March 2020	At 31 March 2019	At 31 March 2018	At 31 March 2017	At 31 March 2016
Inflation	<b>2.35%</b>	<b>2.60%</b>	<b>2.45%</b>	2.55 %	2.20 %
Earnings increase	<b>4.10%</b>	<b>4.10%</b>	<b>3.95%</b>	4.55 %	4.20 %
Notional discount rate used to discount the Schemes' liabilities	<b>1.80%</b>	<b>2.90%</b>	<b>2.55%</b>	2.80 %	3.60 %
Discount rate net of inflation	<b>-0.50%</b>	<b>0.29%</b>	<b>0.10%</b>	0.25 %	1.40 %
Rate of return in excess of pension increases CPI	<b>0.10%</b>	<b>0.29%</b>	<b>0.10%</b>	0.24 %	1.37 %

The life expectancy of normal health current pensioners at age 60 for men is 27.9 (2018-19: 28.7) and women is 28.8 (2018-19: 29.7). The life expectancy of normal health future pensioners at age 60 for men is 29.6 (2018-19: 31.9) and women is 30.4 (2018-19: 33.0).

The life expectancy of normal health current pensioners at age 65 for men is 23.0 (2018-19: 23.8) and women is 23.8 (2018-19: 24.8).

**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 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; 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 above table. 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 15.9. Note 15.15 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**

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 requires that 'the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years'. An actuarial valuation of the scheme for IAS19 has been carried out by calculating the liability as at 31 March 2018 based on the data provided at 31 March 2018 and rolling forward that liability to 31 March 2020

**15.9 Analysis of the provision for pension liability**

	2019-20	Restated 2018-19	2017-18	2016-17	2015-16
	£ million	£ million	£ million	£ million	£ million
<b>RCPS</b>					
Active members	2,213	2,057	1,869	1,886	1,542
Deferred members	1,256	907	937	934	710
Current pensioners	2,285	1,780	2,033	1,931	1,415
<b>Total</b>	<b>5,754</b>	<b>4,744</b>	<b>4,839</b>	<b>4,751</b>	<b>3,667</b>
<b>Closed Schemes</b>					
	£ million	£ million	£ million	£ million	£ million
Deferred members	50	53	54	54	72
Current pensioners	356	357	375	363	425
<b>Total</b>	<b>406</b>	<b>410</b>	<b>429</b>	<b>417</b>	<b>497</b>
<b>Total provision for pension</b>	<b>6,160</b>	<b>5,154</b>	<b>5,268</b>	<b>5,168</b>	<b>4,164</b>

**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 2020 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 2020 of changes to these assumptions (rounded to the nearest ½ %).

Change in assumption	Approximate effect on total liability*
<b>Rate of return</b>	
(i) discount rate: +½ % a year	-9.5 %    -£585 million
(ii) earnings increases: +½ % a year	1.0 %     £62 million
(iii) pension increases: +½ % a year	9.5 %     £585 million
<b>Pensioner mortality</b>	
(iv) additional one-year increase to life expectancy at retirement:	3.0 %     £185 million

<b>15.10 Analysis of movements in the Schemes' liability</b>	<b>Notes</b>	<b>2019-20</b>	<b>2018-19</b>
		<b>£'000</b>	<b>£'000</b>
<b>Schemes' liability at 1 April</b>		<b>5,154,264</b>	5,269,135
Adjustment to start of year liability			-
Current service cost		<b>143,000</b>	149,000
Past service cost		<b>22,000</b>	-
Pension financing cost		<b>149,000</b>	134,000
Enhancements		<b>3,715</b>	2,000
Pension transfers in		<b>1,535</b>	4,038
Benefits payable	15.12	<b>(159,452)</b>	(152,889)
Payments to or on account of leavers	15.13	<b>(2,048)</b>	(2,020)
Analysis of actuarial losses/(gains) on the Schemes' liabilities	15.14	<b>848,776</b>	(249,000)
		<b>1,006,526</b>	(114,871)
<b>Schemes' liability at 31 March</b>		<b>6,160,790</b>	5,154,264

### 15.11

During the year ended 31 March 2020, employers and employees contributions represented an average of 32.5 percent of pensionable salaries (2018-19: 32.4 percent). The employers pension rate for 2020-21 and future years until further notice will be 26.0 percent.

### 15.12 Analysis of benefits paid

	<b>2019-20</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Pensions to retired employees and dependents (net of recoveries or overpayments)	<b>(143,624)</b>	(137,640)
Commutations and lump sum benefits on retirement or death	<b>(15,828)</b>	(15,249)
As per Combined Statement of Cash Flows	<b>(159,452)</b>	(152,889)

### 15.13 Analysis of payments to or on account of leavers

	<b>2019-20</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Refunds to members leaving service	<b>(523)</b>	(526)
Individual transfers to other Schemes	<b>(1,525)</b>	(1,494)
As per Combined Statement of Cash Flows	<b>(2,048)</b>	(2,020)

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

	<b>2019-20</b>	2018-19
	<b>£'000</b>	£'000
Experience (gains)/losses arising on the Schemes' liabilities	<b>53,776</b>	(37,000)
Change in assumptions underlying the present value of Schemes' liabilities	<b>795,000</b>	(212,000)
As per combined Statement of Comprehensive Net Expenditure	<b>848,776</b>	(249,000)

The increase in liabilities of £795 million is due to changes in the key financial assumptions used to calculate the liability. The key assumptions used are; the rate of salary increases, rate of increases in pensions in payment and deferred pensions, CPI inflation assumption, nominal discount rate and discount rate net of price inflation. The nominal discount rate, which is set by HMT, decreased from 2.90% to 1.80%. An decrease in the nominal discount rate assumption of 0.50% would see the liabilities increase by approximately £585 million (note 15.9).

**15.15 History of experience (gains)/losses**

	<b>Actual (gains)/losses £'000</b>	<b>Experience (gains)/losses £'000</b>	<b>Percentage of the Schemes' liabilities at 31 March</b>
2019-20	795,000	53,000	-0.9%
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%

**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.

	<b>2019-20</b>	2018-19
	<b>£'000</b>	£'000
Balance at 1 April	<b>476</b>	814
Amount paid in year to the Pension Schemes	<b>(345)</b>	(349)
Addition in year	<b>2</b>	11
Balance at 31 March	<b>133</b>	476
To be used in the next 12 months	<b>133</b>	345
To be used after more than 12 months	-	131

**17. Grant-in-Aid**

Grant-in-Aid is provided from the Department for Business, Energy & Industrial Strategy (BEIS), to UKRI, as the employer with responsibility for administering the Schemes' finances. The allocation for 2019-20 was £85.0 million (2018-19 was £74.0 million) of which £58.5 million 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 & Industrial Strategy (BEIS) and is regarded as a related party. UKSBS is also a non-departmental body in the BEIS group and a contributing employer to the scheme.

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 UKRI whose employees are members of the Schemes.

Related Party Transactions	Pension Contributions		Receivables		Payables	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
	£'000	£'000	£'000	£'000	£'000	£'000
UKRI	<b>46,800</b>	51,197	<b>382</b>	87	-	600
Transactions with other employers						-
Scottish Employers	<b>2,375</b>	2,596	<b>125</b>	276	-	-
UKSBS Ltd	<b>3,892</b>	3,325	-	1	-	-
Other	<b>16,680</b>	12,834	<b>1,898</b>	1,626	<b>1,916</b>	2,184
<b>Total</b>	<b>69,747</b>	69,952	<b>2,405</b>	1,990	<b>1,916</b>	2,784

## 19. Contingent Liability under IAS 37

JSS have been undertaking an internal review of all Premium scheme member pensions in payment to ensure the correct level of pension is being paid. The review was set up to check each members' best pensionable pay, taking into account inflation rates, going back a full 13 years or when the member joined the scheme if this is a shorter period. Prior to this review the standard practice was to check for the best Pensionable Pay over the last 3 years of service unless JSS had reason to suspect a higher Pensionable Pay from an earlier period or the member asked JSS to check an earlier period. There are 107 cases remaining to be reviewed which will have an estimate impact of £400k-£500k.

## 20. Events after the reporting period

Subsequent events were evaluated between the end of the reporting period and the date that the financial statements were authorised for issue, which is the date that the Comptroller and Auditor General certified the financial statements.

From 1 April 2020, business operations of the Schemes have experienced significant impact due to the spread of the coronavirus, COVID-19. The outbreak of COVID-19 has resulted in changes to business operations including some activities being paused, for example individual transfer requests and members are being communicated with accordingly. There has however been limited impact on operations of the Scheme obligation to pay benefits.

## 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 and the Schemes are therefore exposed to little credit, liquidity or market risk.

