

# **Department of Trade and Industry**

## **Combined Resource Account 1999–2000 for the United Kingdom Atomic Energy Authority Superannuation Schemes**

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**Department of Trade and Industry  
Combined Resource  
Account 1999–2000  
for the United Kingdom  
Atomic Energy Authority  
Superannuation Schemes**

*Ordered by the House of Commons to be printed  
20 December 2000*

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## **Foreword**

### **Introduction**

The Resource Account for the United Kingdom Atomic Energy Authority's (UKAEA's) superannuation schemes for the year to 31 March 2000 covers the payment of pensions and other benefits to retired members or their dependants, transfer values for members transferring to other schemes and repayments of contributions under the UKAEA's superannuation schemes.

The schemes are statutory schemes as defined under Section 26(1) Finance Act 1970 but are not exempt approved under Chapter I(1) of Part XIV of the Income and Corporation Taxes Act 1988 although the schemes would be capable of exempt approval if there were real investments, except for some relatively minor non-approvable benefits.

The schemes are contributory and were established and became operational on 1 August 1954. The schemes are constituted by Rules determined by the UKAEA and approved by the Prime Minister and First Lord of the Treasury in 1954, as amended from time to time. They are unusual in their constitution as contributions made to the schemes are used to meet the payment of scheme benefits. Any surplus of contributions over payments is surrendered to the Consolidated Fund. Any deficit is met by Parliamentary Vote with payment from the Consolidated Fund.

The schemes are contracted out under the Pension Schemes Act 1993 and subsequent legislation.

The UKAEA's superannuation schemes comprise the Combined Pension Scheme, the Principal Non-Industrial Superannuation Scheme and the Protected Persons Superannuation Scheme, relating to the employees of the UKAEA, British Nuclear Fuels plc and National Radiological Protection Board together with some employees of Nycomed Amersham plc and some employees of the Engineering and Physical Sciences Research Council, the Particle Physics and Astronomy Research Council and the Council for the Central Laboratory of the Research Councils who were formerly employed by the Science and Engineering Research Council, and former UKAEA employees who transferred to the Ministry of Defence (Atomic Weapons Establishment).

### **Management of the Schemes**

The superannuation schemes are statutory schemes and there are no trustees. In the absence of trustees, they are administered by the Department of Trade and Industry (under Vote 3, Class IX) and managed on behalf of the Department by the UKAEA, a public corporation set up by the Atomic Energy Authority Act 1954.

### **Basis of Account**

This resource account has been prepared in accordance with an accounts direction issued by Her Majesty's Treasury on 1 June 2000.

### **Actuarial Valuation and Statement**

The Government Actuary's Department, the independent actuaries to the schemes, completed their actuarial valuation, based on the value of the fund at 31 March 2000, in June 2000. Their report confirmed that the schemes' liabilities were £2,602 million (£1,818 million discounted value) under the rules at the date of the valuation, and that the contribution rate was sufficient to provide for benefits in the future. The actuarial statement is reproduced on pages 19 to 22.

### **Financial Review**

Net outgoings for the year reduced by 3% compared to the previous year, mainly due to a reduction in the level of individual and group transfers out. Increases in pensions paid have been offset by higher member contributions and transfers in.

The financial statements on pages 8 to 15 provide an overview of the schemes' income and expenditure.

### **Changes in pensions legislation and scheme rules**

There were no changes to relevant legislation or scheme rules during 1999–2000.

### **Contributions**

All contributions have been paid in accordance with the rules set out in the trust deed and the advice of the actuary.

**Benefits**

Under the rules of the schemes, benefits are increased in line with increases in the cost of living to the extent corresponding to and upon like terms and conditions as apply in relation to official pensions in accordance with the Pension Schemes Act 1993. The increase for 1999-2000 was effected on 12 April 1999 and amounted to 3.2% (1998-99 – 3.6%).

**Transfer Values**

Transfers in and out are accounted on an accrual basis

**Year 2000 Issues**

A UKAEA wide project was initiated in 1997 to address the possible effects of the "Millennium Bug" in software and embedded systems. A comprehensive testing programme for Year 2000 compliance was undertaken. No problems were encountered.

**Auditor**

These accounts have been prepared in accordance with an Accounts Direction issued by Her Majesty's Treasury on 28 March 2000. They have been audited by the Comptroller and Auditor General (C&AG) whose opinion is expressed on page 7.

*Sir Michael Scholar KCB*  
Principal Accounting Officer and Permanent Secretary

24 November 2000

## **Statement of Accounting Officer's responsibilities**

Under section 5 of The Exchequer and Audit Departments Act of 1921 the Accounting Officer is required to prepare a combined financial statement for pension in the form and on the basis determined by the Treasury.

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

In preparing these financial statements, the Accounting Officer is required to satisfy himself that:

- suitable accounting policies have been selected and applied consistently;
- the combined financial statements have been prepared on the going concern basis, unless it is inappropriate to presume that either of the Schemes will continue in operation;
- reasonable and prudent judgements and estimates have been made; and
- applicable accounting standards have been followed, in accordance with the guidelines set out by the Treasury, subject to any material departures disclosed in the financial statements.

## Statement on the System of Internal Financial Control

1. This statement is given in respect of the Resource Account for the year ending 31 March 2000 for the UKAEA Superannuation Schemes of the Department of Trade and Industry. As Accounting Officer for the Department, I acknowledge my responsibility for ensuring that the Department maintains and operates an effective system of internal financial control in connection with the resources concerned.

2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by executive managers within the department. In particular, the system includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Departmental Board (DB), formerly known as the Departmental Management Group during 1999–2000;
- regular reviews by the DB of periodic and annual financial reports which indicate financial performance against the forecasts on a cash basis;
- setting targets to measure financial and other performance; and
- the preparation of regular financial reports which indicate actual expenditure against the forecasts.

4. The Department has an Internal Audit Directorate, which operates to standards defined in the Government Internal Audit Manual. The work of the Directorate is informed by an analysis of the risk to which the Department is exposed, and the internal audit strategic plan and the annual work programme are based on this analysis and include appropriate work in the area of activities covered by this statement. The internal audit strategic plan and annual work programme are reviewed and endorsed by the Department's Audit Committee and approved by me. The Director of Internal Audit provides me with a report annually on internal audit activity in the Department. The Report includes the Director of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's system of internal financial control.

5. My review of the effectiveness of the system of internal financial control is informed by:

- the executive managers within the department and the steps they have taken to review the effectiveness of the financial control framework in relation to the activities covered by this statement;
- the work of the internal auditors as described above; and
- the external auditors in their management letter and other reports.

6. During the year the Department has taken a number of significant steps to improve its financial controls. As part of the move to resource accounting and budgeting, the Department has introduced new financial and accounting systems. It has also streamlined its budget holding arrangements.

### Implementation of the Turnbull Report

7. As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance to be issued by the Treasury.

*Sir Michael Scholar KCB*  
Principal Accounting Officer and Permanent Secretary

24 November 2000



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

I certify that I have audited the financial statements on pages 8 to 15 under the Exchequer and Audit Departments Act 1921. These financial statements have been prepared under the accounting policies set out on page 12.

### **Respective responsibilities of the Accounting Officer and auditor**

As described on page 5, the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I report whether the contributions payable to the Schemes have been paid in accordance with the Schemes' rules and the recommendations of the actuary. I also report if, in my opinion, the Report of the Schemes' manager is not consistent with the financial statements, if the Department has not kept proper accounting records for the Schemes or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 6 reflects the Department's compliance with Treasury's guidance "Corporate governance: statement on the system of internal financial control". I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

### **Basis of opinion**

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements and of whether the accounting policies are appropriate to the Schemes' circumstances, consistently applied and adequately disclosed.

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

My opinion takes into account that unfunded liabilities to pay pensions after the end of the Schemes' year are not required to be recognised in the financial statements, but are disclosed in the report of the actuary.

### **Opinion**

In my opinion:

- the financial statements give a true and fair view of the financial transactions of the Schemes for the year ending 31 March 2000, the net outgoings and cash requirement for the year and the amount and disposition at that date of its assets and liabilities other than liabilities to pay pensions after the end of the Schemes year, and have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and directions made thereunder by the Treasury;
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them; and
- the contributions payable to the Schemes during the year ended 31 March 2000 have been paid in accordance with the Schemes rules and the recommendation of the Actuary.

I have no observations to make on these financial statements.

John Bourn  
Comptroller and Auditor General

28 November 2000

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

**SCHEDULE 1**

**Summary of Resource Outturn**  
for the year ended 31 March 2000

	Estimate		1999–2000		Outturn		<i>Net Total Outturn compared to Estimate: Saving/ (excess)</i>
	<i>Gross expenditure</i>	<i>A-in-A*</i>	<i>Net Total</i>	<i>Gross expenditure</i>	<i>A-in-A*</i>	<i>Net Total</i>	
	1	2	3	4	5	6	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Request for Resources: Payment of benefits to members of the UKAEA's superannuation schemes and associated expenditure	142,980	16,650	126,330	135,564	16,650	118,914	7,416
<b>Net Cash Requirement</b>	—	—	126,330	—	—	122,358	—

Reconciliation Resources to Cash Requirement	Note	£'000
<b>NET TOTAL RESOURCES</b>		118,914
Changes in working capital other than cash	11	3,504
Notional charges	7	– 60
<b>Net Cash Requirement</b>	(Schedule 4)	<b>122,358</b>

**Analysis of income payable to the Consolidated Fund**

In addition to the appropriations-in-aid (A-in-A) the following income relates to the Department and is payable to the Consolidated Fund (cash receipts shown in italics) as extra receipts (CFER):

	1999–2000		Forecast	
	Outturn			
	<i>Income</i>	<i>Receipts</i>	<i>Income</i>	<i>Receipts</i>
	£'000	£'000	£'000	£'000
Contributions not classified as A-in-A (see note 8)	4,836	<i>4,567</i>	—	—
	<u>4,836</u>	<u><i>4,567</i></u>	—	—

\* In the years prior to the introduction of Resource Estimate: the above Forecast figures are illustrative only; the references to "A-in-A" and "CFER" in Schedule 1 and relevant notes to the accounts do not apply for the purposes of parliamentary control. The figures represent what will be classified as "A-in-A" and "CFER" following the introduction of Resource Estimates.

For more detailed analysis of outturn expenditure and appropriation-in-aid see Schedule 2 and Notes 3 to 8 to the Accounts.

**SCHEDULE 2****Combined Revenue Account**  
for the year ended 31 March 2000

	Note	1999–2000 <u>£'000</u>
<b>CONTRIBUTIONS AND BENEFITS</b>		
Contributions receivable		
—members (including CFERs)	3	17,283
—employers		37
Individual transfers in from other schemes (including CFERs)		3,193
Group transfers in from other schemes (including CFERs)	4	973
		<u>21,486</u>
<b>Expenditure</b>		
Pensions payable		114,799
Other benefits	5	16,930
Individual transfers out to other schemes		3,278
Group transfers out to other schemes	6	497
Administrative expenses	7	60
		<u>135,564</u>
<b>Combined Net Outgoings for the Year</b>		<b>–114,078</b>
<b>Net Resource Outturn</b>	8	<b>–<u>118,914</u></b>

**SCHEDULE 3****Combined Balance Sheet**

as at 31 March 2000

	Note	31 March 2000	1 April 1999
		£'000	(unaudited) £'000
Debtors:	9		
Contributions due in respect of pensions		1,381	1,312
Other debtors		253	79
		<u>1,634</u>	<u>1,391</u>
Cash balance at Paymaster		10,142	8,189
		<u>11,776</u>	<u>9,580</u>
Creditors—amounts due within 12 months:	10		
Inland Revenue		-1,610	-1,604
Consolidated Fund		-8,532	-6,586
Other Creditors		-1,854	-5,390
		<u>-11,996</u>	<u>-13,580</u>
<b>Net Liabilities</b>		<u><b>-220</b></u>	<u><b>-4,000</b></u>
<b>Financed by:</b>			
<b>Revenue Account</b>			
Balance brought forward		-4,000	
Financing from the Consolidated Fund (Net)	13	122,365	
Net Resource Outturn for the year		-118,914	
Adjustment for Consolidated Fund Extra Receipts accrued and not paid over		269	
Add: Adjustment for notional audit fees		60	
<b>Balance carried forward</b>		<u><b>-220</b></u>	<u><b>-4,000</b></u>

These accounts were approved on 24 November 2000

*Sir Michael Scholar KCB*  
Principal Accounting Officer

**SCHEDULE 4**

**Combined Cash Flow Statement**  
for the year ended 31 March 2000

	<u>1999-2000</u>
	<u>£'000</u>
<b>Net Cash Outflow from Operating Activities</b>	<b>- 117,791</b>
<b>Net Cash Flow from Investing Activities</b>	<b>—</b>
<b>Financing from the Consolidated Fund</b>	<b>122,701</b>
<b>Payments to the Consolidated Fund</b>	<b>- 2,957</b>
<b>Increase in Operating Cash in the Period</b>	<b><u>1,953</u></b>
<b>Reconciliation of Net Operating Cost to Operating Cash Flows</b>	
<b>Net operating costs</b> (see Schedule 2)	<b>- 114,078</b>
Adjust for non-cash transactions (see Note 7)	60
Adjust for movement in working capital other than cash (see Note 11)	<b>- 3,773</b>
<b>Net Cash Outflow from Operating Activities</b>	<b><u>- 117,791</u></b>
<b>Analysis of Financing</b>	
From the Consolidated Fund (see Note 13)	122,701
Consolidated Fund Extra Receipts received and not paid over (See Note 8)	4,567
Consolidated Fund Extra Receipts received in prior year paid over (See Note 13)	<b>- 2,957</b>
Increase in Cash	<b>- 1,953</b>
<b>Net Cash Requirement</b> (see Schedule 1)	<b><u>122,358</u></b>

## Notes to the Combined Accounts for the Year Ended 31 March 2000

### 1. Basis of Preparation of the Account

1.1 The financial statements have been prepared in accordance with the *Resource Accounting Manual* issued by HM Treasury. The particular accounting policies adopted by the Department are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.2 The combined scheme statements summarise the transactions of the Combined Pension Scheme, the Principal Non-Industrial Superannuation Scheme and the Protected Persons Superannuation Scheme. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the financial year. The actuarial position of the schemes, which does take account of such obligations, is dealt with in the Report of the Actuary on pages 19–22 and the accounts should be read in conjunction with that report.

1.3 The accounting policies adopted are described below. They have been applied consistently in dealing with the items that are considered material in relation to the accounts. Not all prior year figures have been shown as this is the first year of formal audit. Where prior year figures are shown, they have not been audited.

### 2. Accounting policies

#### 2.1 Pension Contributions

- (a) Employers' normal contributions are accounted for on an accruals basis.
- (b) Employers' special contributions are accounted for in accordance with the agreement under which they are paid.
- (c) Employees' contributions are accounted for on an accruals basis.
- (d) Employees' contributions include amounts paid in respect of the purchase of added years but exclude contributions to the Additional Voluntary Contribution scheme (AVC) and the Shift Pay Pension Plan scheme (SPPP).

#### 2.2 Transfers

Transfers in and out are accounted for on an accrual basis.

#### 2.3 Pensions and Other Benefits Payable

Pensions and other benefits payable are accounted for on an accruals basis.

#### 2.4 Additional Voluntary Contributions

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

### 3. Contributions from members

	<b>2000</b>
	<u>£'000</u>
Normal contributions	15,244
Additional contributions	2,039
	<u>17,283</u>

### 4. Group transfers in from other schemes

Participating Employer	Former Employer	Transfer Amount
		<u>£'000</u>
UKAEA	AEA Technology plc	<u>973</u>

Notes to the 1999-2000 Combined Resource Accounts (*continued*)

5. Other benefits

	<u>2000</u>
	£'000
Lump sum payments on retirement of members	15,766
Lump sum payments on death of members	911
Refund of contributions including interest	253
	<u>16,930</u>

6. Group transfers out to other schemes

Participating Employer	New Employer	<u>Transfer Amount</u>
		£'000
BNFL	BNFL Group Subsidiaries	160
Nycomed Amersham	AEA Technology plc	627
		<u>787</u>
Less Recoveries:		
UKAEA	NNC Limited	- 95
	Rolls Royce Nuclear Engineering Services Ltd	- 195
		<u>497</u>

7. Administrative Fees and Expenses

The cost of administration of the schemes, with the exception of notional audit fees of £60,000, is borne by the UKAEA who recover the appropriate proportion of the costs from the other participating employers.

8. Reconciliation of Combined Net Outgoings for the Year to Net Resource Outturn

	<u>1999-2000</u>
	£'000
Combined Net Outgoings for the Year	114,078
Add: Surplus Appropriations-in-Aid, to be surrendered as Consolidated Fund Extra Receipts	4,836
<b>Net Resource Outturn</b>	<b><u>118,914</u></b>

Combined Net Outgoings for the Year is the total of expenditure and income appearing in the Combined Revenue Account (Schedule 2). Net Total Resources is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Supply Estimate. The outturn against the Estimate is shown in the Summary of Resource Outturn (Schedule 1). Schedule 1 will not be fully relevant until after the introduction, subject to Parliamentary approval, of resource-based Supply.

9. Debtors

	<u>2000</u>	<u>1999</u>
	£'000	(unaudited) £'000
Contributions due	1,381	1,312
Individual transfers in from other schemes	253	79
	<u>1,634</u>	<u>1,391</u>

**10. Creditors**

	2000	1999 (unaudited)
	£'000	£'000
Lump sums	85	135
Pensions	56	48
Refund of contributions	35	47
Individual transfers out to other schemes	943	1,630
Group transfers out to other schemes	735	3,530
Inland Revenue	1,610	1,604
Consolidated Fund	8,532	6,586
	<u>11,996</u>	<u>13,580</u>

**11. Movements in Working Capital Other Than Cash**

	1999–2000 Consolidated Fund Non- operating movements	1999–2000 Operating movements	1999–2000 Total
	£'000	£'000	£'000
Increase/(decrease) in debtors (see Note 9)	—	243	243
(Increase)/decrease in creditors (see Note 10)	–1,946	3,530	1,584
<b>Net (decrease)/increase in working capital other than cash</b>	<u>–1,946</u>	<u>3,773</u>	<u>1,827</u>

Movements in the Department's working capital are split between "Consolidated Fund Non-operating movements" and "Operating movements". The former relates to balances arising from the collection and subsequent surrender to HM Treasury of Consolidated Fund Extra Receipts. They are therefore excluded from calculation of the Department's own working capital balances.

For the purpose of Schedule 1 debtors associated with the excess of CFER realised over Appropriations-in-Aid that can be applied (£269,000) are treated as non-operating items as they are not included in Voted moneys.

**12. Additional Voluntary Contributions**

The UKAEA superannuation schemes provide for employees to make additional voluntary contributions (AVCs) to increase their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries for onward payment to one of the approved providers, or may choose to make their own arrangements by making periodic payments to an insurance company or scheme institution which offers free standing additional voluntary contribution schemes. The Managers of the Combined Pension Scheme, the Principal Non-Industrial Superannuation Scheme and the Protected Persons Superannuation Scheme are only responsible for payments made to the Schemes' approved providers. Members participating in this arrangement receive an annual statement from the approved provider made up to 31 March each year confirming the amounts held to their account and the movements in the year.

Contributions to the AVC and Shift Pay Pension Plan schemes are deducted from employees' salaries and are paid over directly by the employers to the schemes' managers.



## Notes to the 1999-2000 Combined Resource Accounts (*continued*)

During the year, £4,238,000 was paid to the approved providers. The aggregate amounts of AVC investments are as follows:

### The Prudential Insurance

Movements in the year were as follows:

	<u>2000</u>
	£'000
Balance at 1 April	26,359
New investments	4,238
Sales of investments to provide pension benefits	- 2,477
Changes in market value of investments	1,656
<b>Balance at 31 March</b>	<b><u>29,776</u></b>

In the unlikely event of a default by the approved AVC provider, the Department has no liability to guarantee pension payments. Under the UKAEA arrangement with Prudential Assurance Company Ltd, the schemes are classified as "insured" for the purposes of the Policyholders Protection Act 1975, which requires 90% of the value of the policy payable to the policy holders as determined by the Insurance Companies (Winding-Up) Rules 1985.

### 13. Reconciliation of Financing from Consolidated Fund to Net Cash Requirement per Schedule 1

	<u>2000</u>
	£'000
Voted from Consolidated Fund (Schedule 1)	126,330
Less: Undrawn grant	—
Grant written off against Consolidated Fund Creditor	- 3,629
	122,701
Increase/decrease in cash balance during year (Schedule 3):	
Cash Balance at Paymaster at	
1 April 1999	8,189
31 March 2000	<u>10,142</u>
	- 1,953
Consolidated Fund Extra Receipts received and not paid over (Schedule 1 and 4, Note 8)	4,567
Consolidated Fund Extra Receipts received in prior year and paid over (Schedule 4)	- 2,957
<b>Net Cash Requirement (Schedule 1)</b>	<b><u>122,358</u></b>

### 14. Related Party Transactions

The Combined Pension Scheme, the Principal Non-Industrial Superannuation Scheme and the Protected Persons Superannuation Scheme fall within the ambit of the UKAEA, which is regarded as a related party. During the year, the schemes were wholly funded by the Department. None of the Managers of the schemes, key managerial staff or other related parties has undertaken any material transactions with the schemes during the year.

## Report of the Managers

### 1. Constitution of the Schemes

The UKAEA Superannuation Schemes, the Combined Pension Scheme, the Principal Non-Industrial Superannuation Scheme and the Protected Persons Superannuation Scheme, are unusual in their constitution. Contributions made to the schemes are used to meet the payment of scheme benefits. Any surplus of contributions over payments is surrendered to the Consolidated Fund. Any deficit is met by Parliamentary Vote with payment from the Consolidated Fund. The Government does not maintain a separate fund to provide for the schemes' future liabilities and future benefits will be paid out of the Consolidated Fund to the extent that, at the time of payment, benefits exceed contributions and Parliament votes the necessary funds.

There is no fund of investments. However, the schemes are run and accounts prepared as though a fund does exist. There are notional portfolios of investments which are deemed to be similar to that of a sample of UK funded pension schemes and the notional investment return and market value are determined by reference to the average performance of such a portfolio.

The Government Actuary's Department determines the investment return and fund value.

### 2. Managers, Advisers and Employers

#### Managers

UKAEA Pensions Manager – Richard Stoneham, Marshall Building, 521 Downs Way, Harwell, Didcot, Oxfordshire OX11 0RA

Address for correspondence – Pensions Administration Office, Brownhill Lodge, Thurso, Caithness KW14 7BA

#### Advisers

Actuary – The Government Actuary, New King's Beam House, 22 Upper Ground, London SE1 9RJ

Principal Bankers – Royal Bank of Scotland plc, Orlig Street, Thurso, Caithness KW14 7BL

Legal advisers – UKAEA Legal Branch, Marshall Building, 521 Downs Way, Harwell, Didcot, Oxfordshire OX11 0RA

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

#### Employers

The following employers participate in the schemes:

- United Kingdom Atomic Energy Authority (UKAEA)
- British Nuclear Fuels plc (BNFL)
- National Radiological Protection Board (NRPB)
- Nycomed Amersham plc (NA)
- Ministry of Defence (MOD)
- Engineering and Physical Science Research Council (EPSRC)
- Particle Physics and Astronomy Research Council (PPARC)
- Council for the Central Laboratory for the Research Councils (CCLRC)

On 1 April 1994 EPSRC took over those employees previously employed by the Science and Engineering Research Council (SERC) who were members of the Scheme. On 1 April 1995 CCLRC was created out of EPSRC. In these accounts the acronym SERC is used to refer to the sub-scheme relating to the research councils.

## Report of the Managers (*continued*)

### 3. Membership Statistics

At 31 March 2000 the members of the Schemes were:

	UKAEA	BNFL	NRPB	NA	MOD	SERC	2000 Total	1999 Total
Total members:								
– contributing	2,292	9,431	305	2	67	225	12,322	13,098
– deferred pensioners	4,697	5,092	112	228	144	114	10,387	10,017
– pensioners	10,569	8,743	153	519	2,285	722	22,991	22,710
	<u>17,558</u>	<u>23,266</u>	<u>570</u>	<u>749</u>	<u>2,496</u>	<u>1,061</u>	<u>45,700</u>	<u>45,825</u>

### 4. Scheme Records

To enable the actuary to advise on the contributions to be made by the participating employers, the Schemes' records are maintained in separate parts for UKAEA, BNFL, NRPB, NA, MOD and SERC.

### 5. Additional Voluntary Contributions

In addition to allowing members to pay additional contributions to purchase added years of service within the Schemes, the Schemes also provides for additional contributions to be made to two defined contribution schemes (the Additional Voluntary Contribution scheme (AVC) and the Shift Pay Pension Savings Plan scheme (SPPP)). These are fully insured schemes administered by Prudential Assurance Company Limited to whom contributions are paid.

The AVC scheme covers members of the Schemes who have opted to pay additional voluntary contributions and no employer contributions are made to this scheme. The SPPP scheme is open to shift working members of the Schemes. The costs of the SPPP scheme, which are directly linked to shift pay earnings are borne by the relevant employers.

Separate accounts are prepared for the AVC and SPPP schemes and transactions relating to those schemes are not included in these accounts.

### 6. Benefits Improvements

There were no changes to the rules of the schemes regarding benefits in the year under review.

### 7. Pensions Review

Under the rules of the Schemes, benefits are increased in line with increases in the cost of living to the extent corresponding to and upon like terms and conditions as apply in relation to official pensions in accordance with the Pension Schemes Act 1993. The increase for 1999–2000 was effected on 12 April 1999 and amounted to 3.2% (1998–99—3.6%).

### 8. Transfer Values Paid

Individual transfer values paid have been calculated using either a "cash equivalent" method in accordance with the Pension Schemes Act 1993; or, for eligible members, a "mixed" transfer method in accordance with the rules, where this was more favourable. Where there has been a compulsory transfer of employment, group transfer values paid have been calculated with Treasury agreement, using a "past service reserve" method. Under these arrangements, which are generally more favourable than "cash equivalent" transfers, account is taken of potential salary increases to Normal Retirement Age, rather than price increases over the same period.

**9. Premature Retirements**

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

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

	<b>2000</b>	<b>1999</b>
	<u>£'000</u>	<u>£'000</u>
Amount due to employers at 1 April	640	370
Received from employers during year	37,610	30,974
Paid to members during year	– 34,643	– 25,618
Repaid to employers during year	– 4,108	– 5,086
Amount due (from)/to employers at 31 March	<u>– 501</u>	<u>640</u>

The figures shown above reflect only those activities administered by the UKAEA Pensions Administration Office and exclude any other benefits, paid directly by participating employers, to members retiring early.

**10. Actuarial Position**

The last triennial actuarial valuation of the Combined Pension Scheme, except for the Nycomed Amersham sub-scheme, was completed in respect of the scheme's position at 31 March 1997. The advice and recommendations made by the Actuary were accepted and did not require any change to the existing contribution rates. The valuation of the Nycomed Amersham sub-scheme will be covered by a supplementary report which is currently under consideration.

The last triennial actuarial valuation of the Principal Non-Industrial Superannuation Scheme, except for the Nycomed Amersham sub-scheme, was completed in respect of the scheme's position at 31 March 1997. The advice and recommendations made by the Actuary were accepted and did not require any change to the existing contribution rates. The valuation of the Nycomed Amersham sub-scheme will be covered by a supplementary report which is currently under consideration.

The last triennial actuarial valuation of the Protected Persons Superannuation Scheme was completed in respect of the scheme's position at 31 March 1996. The advice and recommendations made by the Actuary were accepted and did not require any change to the existing contribution rates.

## Report of the Actuary

### Accounts for the year ended 31 March 2000

#### A Liabilities

The capitalised value as at 31 March 2000 of expected future benefit payments under the three UKAEA pension schemes, for benefits accrued in respect of employment (or former employment) prior to 31 March 2000, has been assessed using the methodology and assumptions set out in sections C and D below. The results are estimated to be as follows:

#### Combined Pension Scheme (£ million)

Value of liabilities	UKAEA	BNFL	NRPB	Nycomed Amersham	MOD	Total
Pensions in payment	670	391	8.8	1.6	0.4	1,071.8
Deferred pensions	106	78	1.2	0.4	0.1	185.7
Active members (past service)	182	743	26.5	0.2	-	951.7
<b>Total</b>	<b>958</b>	<b>1,212</b>	<b>36.5</b>	<b>2.2</b>	<b>0.5</b>	<b>2,209.2</b>

#### Principal Non-Industrial Superannuation Scheme (£ million)

Value of liabilities	Nycomed Amersham	Research Councils	MOD	Total
Pensions in payment	23.4	58.7	164.6	246.7
Deferred pensions	6.5	4.6	16.4	27.5
Active members (past service)	5.7	57.9	16.8	80.4
<b>Total</b>	<b>35.6</b>	<b>121.2</b>	<b>197.8</b>	<b>354.6</b>

#### Protected Persons Superannuation Scheme (£ million)

Value of liabilities	UKAEA	BNFL	Nycomed Amersham	MOD	Total
Pensions in payment	10	24	-	-	34
Deferred pensions	-	-	-	1	1
Active members (past service)	-	-	-	-	-
<b>Total</b>	<b>10</b>	<b>24</b>	<b>-</b>	<b>1</b>	<b>35</b>

For the three schemes combined, the total liabilities are as follows (£ million):

Value of liabilities	UKAEA	BNFL	NRPB	Nycomed Amersham	Research Councils	MOD	Total
Pensions in payment	680	415	9	25	59	166	1,354
Deferred pensions	107	78	1	7	5	16	214
Active members (past service)	182	744	27	6	58	17	1,034
<b>Total</b>	<b>969</b>	<b>1,237</b>	<b>37</b>	<b>38</b>	<b>122</b>	<b>199</b>	<b>2,602</b>

In each table, the liabilities are split by the member's status at the last valuation.

## B Accruing Costs

### Open sections of the Combined Pension Scheme

The cost of benefits accruing for each year of service is met partly by a specified contribution from members, with the employer meeting the balance of the cost. The cost of benefits accruing in the year 1999–2000, for a new entrant, were assessed at the last full actuarial valuation as follows:

	% of pensionable pay		
	UKAEA	BNFL	NRPB
Standard contribution rate	17.5%	17.4%	17.5%
Members' contribution rate	5.0%	5.0%	5.0%
Employers' share of standard cost	12.5%	12.4%	12.5%
Actual rate charged to employers for current year	0.0%	0.0%	0.0%

In relation to the pensionable payroll for the financial year, the employer's charges in cash terms are zero for UKAEA and BNFL, and £36,000 for NRPB. The actual charge is less than the standard cost, because allowance has been made in determining the employer charges for a (notional) surplus, based on the experience of the scheme in relation to previous charges; this surplus has generally been spread over the remaining average working lifetime of staff in post.

### Closed sections of the Combined Pension Scheme

The cost of benefits accruing for each year of service is met partly by a specified contribution from members, with the employer meeting the balance of the cost. The cost of benefits accruing over the remaining average working lifetime of staff in post would be assessed as at the last full actuarial valuation as follows:

	% of pensionable pay	
	Nycomed Amersham	MOD
Standard contribution rate	18.5%	–
Members' contribution rate	5.0%	–
Employers' share of standard cost	13.5%	–
Actual rate charged to employers for current year	0.0%	–

In relation to the pensionable payroll for the financial year, the employer's charges in cash terms are zero. The actual charge is less than the standard cost, because allowance has been made in determining the employer charges for a (notional) surplus, based on the experience of the scheme in relation to previous charges; this surplus has generally been spread over the remaining average working lifetime of staff in post.

### Closed sections of the Principal Non-Industrial Superannuation Scheme

The cost of benefits accruing for each year of service is met partly by a specified contribution from members, with the employer meeting the balance of the cost. The cost of benefits accruing over the remaining average working lifetime of staff in post would be assessed as at the last full actuarial valuation as follows:

	% of pensionable pay		
	Nycomed Amersham	Research Councils	MOD
Standard contribution rate	19.7%	21.4%	16.6%
Members' contribution rate	7.5%	7.5%	7.5%
Employers' share of standard cost	12.2%	13.9%	9.1%
Actual rate charged to employers for current year	0.0%	0.0%	0.0%

In relation to the pensionable payroll for the financial year, the employer's charges in cash terms are zero. The actual charge is less than the standard cost, because allowance has been made in determining the employer charges for a (notional) surplus, based on the experience of the scheme in relation to previous charges; this surplus has generally been spread over the remaining average working lifetime of staff in post.

### Closed sections of the Protected Persons Superannuation Scheme

There are no active members in the scheme, and the scheme is closed. Therefore there are no further benefits accruing.

## Report of the Actuary (*continued*)

The actual employer's charge is zero, because each section of the scheme has a notional surplus, as assessed at the last full actuarial valuation.

### C Methodology

In all three schemes, the value of liabilities has been obtained using the projected accrued benefit method, with allowance for future pay increases in respect of any active members.

#### Open sections of the Combined Pension Scheme

The standard contribution rate for accruing costs has been determined using the entry age method.

#### Closed sections of the Combined Pension Scheme

The standard contribution rate for accruing costs has been determined using the attained age method.

#### Closed sections of the Principal Non-Industrial Superannuation Scheme

The standard contribution rate for accruing costs has been determined using the attained age method.

#### Closed sections of the Protected Persons Superannuation Scheme

No active members.

### D Assumptions

The principal financial assumptions adopted for the pension assessment made in relation to this statement are an investment return in excess of price increases of  $3\frac{1}{2}\%$  per annum (most pension benefits under the scheme are increased annually in line with price changes), and an investment return in excess of general earnings increases of  $2\%$  per annum. The demographic assumptions adopted for the assessment are mainly derived from the specific experience of the membership of the scheme.

### E Notes

- (1) This statement is based on full actuarial valuations of the Combined Pension Scheme and Principal Non-Industrial Superannuation Scheme, carried out as at 31 March 1997, with an approximate updating for the subsequent financial years to reflect known changes which have occurred within the period 31 March 1997 to 31 March 2000. Figures for the Protected Persons Superannuation Scheme are based on a full actuarial valuation carried out as at 31 March 1996, with an approximate updating for the subsequent financial years to reflect known changes which have occurred within the period 31 March 1996 to 31 March 2000.
- (2) The pension benefits taken into account in this assessment are those provided from the rules of the pension scheme, including normal retirement benefits, ill-health retirement benefits, and benefits applicable following the death of the member. The assessments do not include the cost of injury benefits (in excess of ill-health benefits), or redundancy benefits which might arise in respect of current employees. However, pension payments already being paid in respect of such cases are included in this statement of liabilities in Section A above.
- (3) It is emphasised that the projection of the liabilities from the last valuation date to the current date is an approximation. Accurate figures will be available following the next formal valuation.
- (4) The value of the liabilities has also been assessed using the standard public sector discount rate of  $6\%$  per annum in excess of price increases and  $4\frac{1}{2}\%$  in excess of general earnings increases. On this basis, the capitalised value of the liabilities is assessed as follows:

Approximate valuations using a discount rate of 6% real

**Combined Pension Scheme (£ million)**

Value of liabilities	UKAEA	BNFL	NRPB	Nycomed Amersham	MOD	Total
Pensions in payment	548	324	7.2	1.3	0.4	880.9
Deferred pensions	58	41	0.7	0.2	–	99.9
Active members (past service)	102	416	15.2	0.1	–	533.3
<b>Total</b>	<b>708</b>	<b>781</b>	<b>23.1</b>	<b>1.6</b>	<b>0.4</b>	<b>1,514.1</b>

**Principal Non-Industrial Superannuation Scheme (£ million)**

Value of liabilities	Nycomed Amersham	Research Councils	MOD	Total
Pensions in payment	19.3	47.8	137.2	204.3
Deferred pensions	3.9	2.9	11.2	18.0
Active members (past service)	3.5	37.6	10.4	51.5
<b>Total</b>	<b>26.7</b>	<b>88.3</b>	<b>158.8</b>	<b>273.8</b>

**Protected Persons Superannuation Scheme (£ million)**

Value of liabilities	UKAEA	BNFL	Nycomed Amersham	MOD	Total
Pensions in payment	8	20	–	–	28
Deferred pensions	–	–	–	–	–
Active members (past service)	–	–	–	–	–
<b>Total</b>	<b>8</b>	<b>20</b>	<b>–</b>	<b>–</b>	<b>28</b>

For the three schemes combined, the total liabilities are as follows (£ million):

Value of liabilities	UKAEA	BNFL	NRPB	Nycomed Amersham	Research Councils	MOD	Total
Pensions in payment	556	344	7	21	48	138	1,114
Deferred pensions	58	42	1	4	3	11	119
Active members (past service)	102	416	15	4	38	10	585
<b>Total</b>	<b>716</b>	<b>802</b>	<b>23</b>	<b>29</b>	<b>89</b>	<b>159</b>	<b>1,818</b>

In each table, the liabilities are split by the member's status at the last valuation.

*C D Daykin*  
Government Actuary  
London

27 June 2000





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