Department of
Health, Social Services
and Public Safety
www.dhsspsni.gov.uk
AN ROINN
Sláinte, Seirbhísí Sóisialta
agus Sábháilteachta Poiblí
MÄNNYSTRIE O
Poustie, Resydènter Heisin
an Fowk Siccar

HSC Pension Scheme Resource Accounts

For the year ended 31 March 2010

Department of Health, Social Services and Public Safety

HSC Pension Scheme Resource Accounts For the year ended 31 March 2010

The Accounting Officer authorised these financial statements for issue

on

19th October 2010

Laid before the Northern Ireland Assembly by the Department of Finance and Personnel under section 10(4) of the Government Resources and Accounts Act (Northern Ireland) 2001

22nd October 2010

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Introduction

The HSC Pension Scheme is an unfunded, contributory, voluntary membership Scheme administered by the Department of Health, Social Services and Public Safety. The current regulations under which the Scheme operates are the *Health and Personal Social Services (Superannuation)(Amendment) Regulations (Northern Ireland) 2008.*

The Regulations apply to the employees of the Health and Social Care bodies, the principal employer, although the employees of a number of other bodies are also permitted to join.

Further information about the Scheme is given in the explanatory booklet published in May 2009, which is issued to all members.

Managers, Advisers and Employers

Managers

Accounting Officer:	Dr A McCormick Permanent Secretary Department of Health, Social Services and Public Safety Castle Buildings Stormont Estate Belfast BT4 3SQ
Scheme Administrator:	Department of Health, Social Services and Public Safety Castle Buildings Stormont Estate Belfast BT4 3SQ

Advisers

Pension Scheme Actuary:	Government Actuary’s Department Finlaison House 15-17 Furnival Street London EC4A 1AB
Auditors:	Northern Ireland Audit Office 106 University Street Belfast BT7 1EU

Legal Advisers: Departmental Solicitors Office
Victoria Hall
12 May Street
Belfast
BT1 4NL

Legal Department
Business Services Organisation Headquarters
2 Franklin Street
Belfast
BT2 8DQ

Bankers:

Northern Bank Limited
Donegall Square West
Belfast
BT1 6JS

Employers

Principal employers:

Health and Social Care Board
Health and Social Care Trusts

Additional bodies permitted to join:

General Practitioners
Staff employed by General Medical Practitioners
Direction Bodies

Legislative changes

Three sets of amending regulations were introduced between 31/5/2009 and 4/10/2009 all of which had varying degrees of retrospective effect.

1. S.R. 2009 No.188 (came into operation 31/5/2009, however some regulations have retrospective effect prior to this date). The main purpose of these amending regulations was to:

   - ensure pension scheme members, from 1 April 2009 onwards, will pay contributions to the scheme depending on their pensionable pay. The higher the pensionable pay the higher the rate of contribution payable. The contribution rate can vary from 5% to 8.5% of pensionable pay.
   - ensure a re-employed ill health pensioner is not permitted to accrue further pensionable service if they have successfully applied to have their tier 1 pension (the lower rate pension) changed to a tier 2 pension (the higher rate pension).
   - introduce amendments required by Department of Work and Pensions legislation, so that the rules for payment of benefits in relation to a pension credit member (i.e. the former spouse of a scheme member who has benefits in the scheme as a result of a pension sharing order) are the same as for former members who have left the scheme with preserved benefits.
   - introduce the requirement for assistant practitioners to complete an annual certificate of pensionable earnings and contributions.

- require GP Practices to complete an estimate certificate of practitioner and non-GP provider earnings at the commencement of each scheme year, and an end-of year return certificate for assistant practitioners.

2. S.R. 2010 No.22 (came into operation 26/2/2010, however some regulations have retrospective effect prior to this date). The main purpose of these amending regulations was to:

- provide a pensions choice exercise to permit eligible members of the ‘1995 Section’ of the HSC Pension Scheme to join the ‘2008 Section’. In addition it will introduce various transitional arrangements in respect of ‘1995 Section’ members who do not choose to join the ‘2008 Section’.
- introduce other changes mainly of a technical nature. In order to better differentiate between the 1995 and 2008 regulations, references have been changed throughout both sets of regulations, so that they refer to the ‘1995 Section’ and the ‘2008 Section’.
- from 1 April 2009 amend the definition of employing authority to reflect the coming into operation of the new HSC organisations, the Regional Health and Social Care Board, the Regional Agency for Public Health and Social Wellbeing, the Regional Business Services Organisation and the Patient Client Council.
- introduce a formula for reducing ‘enhanced’ service during phase two of the transitional redundancy arrangements i.e. 1 October 2009 to 30 September 2011.

3. S.R. 2010 No. 286 (comes into operation 4/10/2010, however some regulations have retrospective effect prior to this date). The main purpose of these amending regulations is to:

- provide HSC pensioners who retired from the 1995 Section of the HSC Pension Scheme between 1 April 2008 and 30 September 2009 an opportunity to join the new 2008 Section of the Scheme if they return to HSC employment. There will be a requirement for a mandatory break in pensionable employment between taking 1995 Section retirement benefits and joining the 2008 Section, which will be 2 years in most cases (see table below.)

Reason for 1995 Section retirement	**Waiting Period before eligible to rejoin the 2008 Section**
Age retirement	2 years from date of retirement
Early retirement with actuarial reduction	2 years from date of retirement
New style redundancy retirement	2 years from date of retirement
New style ill health retirement [over 50 at date of return so unable to rejoin the 1995 Section]	2 years from date of retirement as long as any tier 2 pension has reverted permanently to a tier 1 pension [this will be after 1 year of HSC/NHS re-employment]
Old style ill-health retirement [enhancements range from doubled service to 9 years 364 days]	Longer of 2 years from date of retirement, or the calendar length of any enhancement credited under the 1995 Section.
Transitional redundancy retirement – range of enhancements tapering off at 30 September 2011	Longer of 2 years from date of retirement, or the calendar length of any enhancement credited to the member under the 1995 section transitional redundancy arrangements

- ensure that anyone in receipt of a pension from the 1995 Section of a health service pension scheme in England and Wales, Scotland or the Isle of Man cannot join the 1995 Section of the HSC Scheme (this brings them in to line with HSC 1995 Section pensioners).
- allow Scheme members with less than £2,000 invested with the NHS/HSC Additional Voluntary Contributions (AVCs) provider to take a one-off lump sum payment. This change is as a result of a relaxation of Her Majesty’s Revenue and Customs (HMRC) rules which previously stipulated that these investments could only be used to purchase a regular income.

Changes to the Scheme

Pensions were increased by 5.0% with effect from 06 April 2009. Employee contribution rates range from 5% to 8.5% from 1 April 2009. The rate payable is linked to the member's pensionable pay. Employer contribution rates decreased to 13.3% from 15.7% on 1 April 2009.

Events after the Reporting Period

There were no events after the financial period requiring adjustment to or disclosure in these accounts.

Membership statistics

Detail of the current membership of the Scheme is as follows:

Active members	
Active members at 1 April 2009	55,276
Retrospective Adjustment*	4,367
Add: New entrants in the year	6,897
Less: Leaving with deferred Rights	(7)
Retirements in the year	(1,113)
Unclaimed refundable service	(1)
Refunds	(107)
Undecided Leavers	(3,887)
Deaths	(12)
Active members at 31 March 2010	**61,413**

Deferred members	
Deferred members at 1 April 2009	11,424
Retrospective Adjustment*	302
Add: Members leaving who have deferred pension rights	18
Less: Rejoining scheme	(9)
Transfers out	(51)
Members taking up deferred pension rights	(199)
Deaths	(6)
Deferred members at 31 March 2010	**11,479**

Pensioners in payment	Members	Dependants	Total
Pensioners in payment at 1 April 2009	12,195	3,205	15,400
Retrospective Adjustment*	857	71	928
Add: Members retiring in year at normal retiring age & voluntary early retirement	1,129	—	1,129
Compensation payments	128	—	128
New dependants	—	172	172
Retiring previously deferred	152	—	152
Less: Commuted pension	(7)	—	(7)
Deaths in year	(223)	(62)	(285)
Pensioners in payment at 31 March 2010	**14,231**	**3,386**	**17,617**

Compensation payments > 60	
Members in receipt of compensation payments at 1 April 2009	2,055
Retrospective Adjustment*	(16)
Add: Members leaving under early retirement schemes during the year	20
Less: Members reaching normal retirement age during the year	(74)
Deaths before normal retirement age	102
Members in receipt of compensation payments at 31 March 2010	**2,087**

Ill health retirement	
Ill heatlh retirement members at 1 April 2009	8,132
Retrospective Adjustment*	(31)
Add: Members retiring on ill health grounds	179
Less: Deaths in year	(84)
Ill health members at 31 March 2010	**8,196**

Undecided Leavers	
Undecided leavers at 1 April 2009	13,950
Retrospective Adjustment*	(1,595)
Add: Undecided leavers	3,939
Less: Taking up benefits (tv-out, refund, defer)	(155)
Rejoining scheme	(2)
Retiring	(69)
Undecided leavers at 31 March 2010	**16,068**

Compensation payments < 60	
Members in receipt of compensation payments at 1 April 2009	173
Retrospective Adjustment*	1
Add: Members leaving under early retirement schemes during the year	161
Less: Members reaching normal retirement age during the year	(54)
Less: Deaths before normal retirement age	(1)
Members in receipt of compensation payments at 31 March 2010	**280**

*A retrospective adjustment to a member's status comes about when an action on the member's record is carried out at a point later than the actual date the requirement for action occurred, due to the data gathering process required to enable the action to take place.

Financial commentary

The movements in the Scheme during the year are summarised in the Revenue Account and net outgoings for the year are £79,452k.

Income mainly comprises contributions from employers (who are defined per page 3 above), of £723,631k and employee contributions of £98,690k. Other receipts include transfers in of £10,768k from other Schemes and other pension income of £15k per note 9 to the accounts.

The charge to the Revenue Account now recognises the movements in the scheme liability (other than those arising from actuarial gains and losses). This comprises the current service cost of £350,000k, enhancements of £31,314k, transfers in of £10,768k and interest on the scheme liabilities of £520,000k. Payments include other pension expenditure of £474k per note 14 to the accounts.

Disclosure to Auditors

The Principal Accounting Officer, Dr Andrew McCormick, Permanent Secretary of the Department of Health, Social Services and Public Safety has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Scheme's auditors are aware of such information. So far as he is aware there is no relevant audit information of which the entity's auditors are unaware.

Further information

Any enquiries about the HSC Pension Scheme should be addressed to:

HSC Pension Branch
Business Services Organisation
Waterside House
75 Duke Street
Derry
County Londonderry
BT67 1FP

Statement by the Actuary

Accounts for the year ended 31 March 2010

Introduction

This statement has been prepared by the Government Actuary's Department at the request of the Department of Health, Social Services and Public Safety (DHSSPS). It summarises the pensions disclosures required for the 2009-10 Resource Accounts of the Health & Social Care Pension Scheme for Northern Ireland (HSCPS).

The statement is based on an assessment of the liabilities as at 31 March 2008, with an approximate updating to 31 March 2010 to reflect known changes.

Membership data

Tables A to C summarise the principal membership data as at 31 March 2008 and 31 March 2010 used to prepare this statement.

Table A – Active members

31 March 2008			2007-08	2009-10
Number (thousands)	Total salaries in membership data (pa) (£ billion)	Total accrued pensions (£ billion)	Total salaries implied by contribution receipts (£ billion)	Total salaries implied by contribution receipts (£ billion)
56.2	1.34	0.30	1.36	1.48[1]

Table B – Deferred members

31 March 2008		31 March 2010
Number (thousands)	Total deferred pension (pa) (£ million)	Number (thousands)
19.9	37.2	27.5

Table C – Pensions in payment

31 March 2008		31 March 2010
Number (thousands)	Total pension (pa) (£ million)	Total pension (pa) (£ million)
24.2	160.4	200.3

[1]The pensionable payroll of £1.48 billion implied by contribution receipts during 2009/10 is used to calculate the current service cost. A pensionable payroll figure of £1.47 billion based on contribution receipts during February 2010 is used to roll forward the liabilities to 31 March 2010.

Methodology

The present value of the liabilities has been determined using the Projected Unit Method, with allowance for expected future pay increases (or revaluation on accrued pensions for career average benefits) in respect of active members, and the principal financial assumptions applying to the 2009-10 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2010 was determined using the Projected Unit Method and the principal financial assumptions applying to the 2008-09 Resource Accounts.

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 allowance for benefits in respect of the incidence of future premature retirement and redundancy benefits in for current active members (as such future liabilities will be funded by the relevant employer), although the assessment of liabilities allows for such enhancements to pensions in payment that have already been made.

Principal financial assumptions

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

With effect from 31 March 2010, the assumed rate of return in excess of prices fell from 3.2% a year to 1.8% a year, and the assumed rate of return in excess of earnings fell from 1.7% a year to 0.3% a year. In addition, with effect from 31 March 2010, the assumed rate of future price inflation is 2.75% a year and the assumed nominal rate of salary growth is 4.29% a year (both the same as at 31 March 2009).

Table D – Principal financial assumptions

Assumption	31 March 2010	31 March 2009
Rate of return (discount rate)	4.60%	6.04%
Rate of return in excess of:		
Earnings increases	0.3%	1.7%
Pension increases	1.8%	3.2%
Expected return on assets:	n/a	n/a

Demographic assumptions

The demographic assumptions adopted to prepare this statement were derived from the specific experience of the scheme membership.

The demographic assumptions (other than the assumptions for future longevity improvements) adopted for the assessment of the liabilities as at 31 March 2010 are those adopted for the 2004 funding valuation of the HSCPS.

The standard mortality tables known as PMA92 (male) and PFA92 (female) are used with members assumed to be one year of age younger than their actual age. Mortality improvements from the 1992 base year up to 2006 are in line with the improvement basis in the published tables. Improvements from 2006 to 2008 are in line with observed UK population improvements. Improvements from 2008 onwards are in accordance with those incorporated in the 2008-based principal population projections for the United Kingdom.

The contribution rate used to determine the accruing cost in 2009-10 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2008-09 Resource Accounts.

Liabilities

Table E summarises the assessed value as at 31 March 2010 of benefits accrued under the scheme prior to 31 March 2010 based on the data, methodology and assumptions described in paragraphs 3 to 10. The corresponding figures as at 31 March 2009 are also included in the table.

Table E – Past service liabilities

Liability in respect of	31 March 2010 £ billion	31 March 2009 £ billion
Pensions in payment	3.5	2.7
Deferred members	1.2	0.5
Active members	8.3	5.3
Total liabilities	13.0	8.5

Accruing costs

The cost of benefits accruing in the year ended 31 March 2010 (the Current Service Cost) is based on a standard contribution rate of 23.5%, as determined at the start of the year. Members contributed between 5.0% and 8.5% of pensionable pay, depending on the level of their pay. Table F shows the employers' share of the contribution rate used to determine the Current Service Cost taking into account an estimated average rate of contributions paid by members of 6.5%. The corresponding figures for 2008-09 are also included in the table.

Table F – Contribution rate

	Percentage of pensionable pay	
	2009-10	2008-09
Standard contribution rate	23.5%	28.5
Members' estimated average contribution rate	6.5%	6.5%
Employers' estimated share of standard contribution rate	17.0%	22.0%

For the avoidance of doubt the employers' share of the standard contribution rate determined for the purposes of the Resource Accounts is not the same as the actual rate of contributions payable by employers, currently 13.3%, which was determined based on the methodology and the financial and demographic assumptions adopted for the funding of the scheme. The most significant difference between the actuarial assessments for Resource Accounts and for scheme funding purposes is the discount rate net of price increases, which was 3.2% pa for the 2009-10 Current Service Cost (2.5% pa for 2008-09) compared with 3.5% pa for scheme funding.

The higher discount rate for scheme funding purposes results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is set by HM Treasury and was expected to stay the same for an extended period, so as to provide a stable budgeting mechanism for pension accrual within government. The discount rate for Resource Accounts is market-related and is set each year by HM Treasury to reflect the requirements of IAS19 as implemented by the FReM for Resource Accounts purposes. It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI), rather the Retail Prices Index (RPI), for the indexation of public service pensions from April 2011. The implications (if any) for the assessment of scheme liabilities under IAS19 or scheme funding are not yet clear. No changes have been made to this assessment as a result of the Budget announcement.

The pensionable payroll for the financial year 2009-10 was £1.48 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2009-10 (at 23.5% of pay) is assessed to be £0.35 billion.

Disclosures

Tables G to K show the balance sheet and the profit and loss disclosures as at 31 March 2010.

Table G – Balance sheet disclosures

	31 March 2010 £ billion	31 March 2009 £ billion
Total market value of assets	Nil	Nil
Assessed value of liabilities	(13.0)	(8.5)
Surplus (deficit)	(13.0)	(8.5)
of which recoverable by employers	n/a	n/a

Table H – Analysis of amount charged to operating profit

	Year ending 31 March 2010 £ thousand	Year ending 31 March 2009 £ thousand
Current service cost	(0.35)	(0.40)
Past service cost	—	—
Total operating charge	(0.35)	(0.40)

Table I – Analysis of amount credited to other finance income

	Year ending 31 March 2010 £ thousand	Year ending 31 March 2009 £ thousand
Expected return on scheme assets	—	—
Interest on pension liabilities	(0.52)	(0.46)
Net return	(0.52)	(0.46)

Table J – Analysis of amount recognised in Statement of Recognised Gains and Losses

	Year ending 31 March 2010 £ thousand	Year ending 31 March 2009 £ thousand
Actual return less expected return on scheme assets	—	—
Experience gains and losses arising on pension liabilities	(0.43)	(0.29)
Changes in mortality assumptions	(0.08)	(0.24)
Changes in demographic assumptions (other than mortality)	—	—
Changes to financial assumptions	(3.35)[1]	1.31
Actuarial gain recognised in Statement of Recognised Gains and Losses	(3.86)	0.78

[1]The increase in liabilities of £3.35 billion is due to the fall in the net discount rate from 3.2% pa to 1.8% pa, because of changes in market conditions.

Table K – Movement in surplus during the year

	Year ending 31 March 2010 £ thousand	Year ending 31 March 2009 £ thousand
Surplus at start of year	(8.5)	(8.6)
Current service cost	(0.35)	(0.40)
Past service cost	—	—
Enhancements (transfers in, added years, added pensions, early retirement)	(0.04)	(0.03)
Benefits paid during the year	0.27	0.23
Other finance income	(0.52)	(0.46)
Actuarial gain	(3.86)	0.78
Surplus at end of year	(13.0)	(8.5)

Alison Murray, FFA
Government Actuary's Department **23 September 2010**

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel has directed the Department of Health, Social Services and Public Safety HSC Pension Scheme to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

With the exception of certain transactions (which are accounted for on a cash basis) the financial statements are prepared on an accruals basis and must give a true and fair view of the financial transactions of the scheme during the year and the disposition, at the end of the financial year, of the net liabilities. Note 2 "Accounting Policies" to the financial statements describes those transactions which are accounted for on a cash basis, the use of which has no material effect on the net outgoings for the year, nor on the net liabilities at the year end.

In preparing these financial statements, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

– observe the accounts direction issued by the Department of Finance and Personnel including the relevant accounting and disclosure requirements, and apply suitable policies on a consistent basis;

– make judgements and estimates on a reasonable basis;

– state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and

– prepare the financial statements on a going concern basis.

The Department of Finance and Personnel has appointed Dr. Andrew McCormick as Accounting Officer for the HSC Pension Scheme. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme are set out in the Accounting Officers' Memorandum issued by the Department of Finance and Personnel and published in *Government Accounting Northern Ireland*.

Statement on Internal Control

2009-10 HSC PENSION SCHEME RESOURCE ACCOUNT

Scope of responsibility

This statement is given in respect of the HSC Pension Scheme Resource Account for 2009-10. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money Northern Ireland*.

I am also required to combine these duties with my duty to serve the Minister in charge of my Department and I have particular responsibility to see that appropriate advice is tendered to the Minister on all matters of financial propriety and regularity and, more broadly, as to all considerations of prudent and economical administration, efficiency and effectiveness.

In providing advice to the Minister, the consequences of the achievement or non-achievement of particular policies or objectives are explored as part of the planning and decision making process. This process includes highlighting specific business implications or risks and, where appropriate, the measures that could be employed to manage these risks or implications.

As Principal Accounting Officer for the Department I also have responsibility for all of the Department's arm's length bodies.

The purpose of the system 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, in order to achieve policies, aims and objectives; it can therefore provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for the year ending 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Department of Finance and Personnel guidance.

Capacity to handle risk

During 2009-10, risk management arrangements continued to be operated across the Department and its arm's length bodies. The risk management strategy provides guidance on the risk management process and involves the identification, assessment, recording, review and control of risk in a consistent manner across all business areas.

2009-10 was the first year of operation of the new regional structures introduced as part of the Review of Public Administration (RPA), which included transfers of function from the Department to the new bodies. The new simpler regional management structures with one Health and Social Care Board (HSCB) and Public Health Agency (PHA) working closely with the Department, have contributed to improved management of risk at a regional level across the HSC. The change also led to changes in the accounting boundary of the Department.

Within the Department, the overall system of internal control is overseen by the Departmental Board. Risk ownership has been allocated to appropriate staff and there is a formal system of risk reporting to the Departmental Board. In addition, Directors ensure that staff are appropriately trained to fulfil Directorate and Departmental objectives. Advice and support is available from Planning and Performance Management Directorate and from the Department's internal audit function on the more technical aspects of risk management.

The risk and control framework

The Department has a Corporate Risk Register and a Departmental risk management strategy. The Corporate Risk Register specifies the key risks for the Department as a whole, including the identification of risks to the provision of health and social care and the provision of fire and rescue cover to the local population. It is examined regularly by the Departmental Board, with individual risks considered on an exception basis where necessary. Reports to the Board on internal control demonstrate the steps being taken to manage risks in significant areas of responsibility and to monitor progress on key initiatives and projects.

In addition, risk registers are maintained by individual Directorates and Professional Groups, and by the Department's arm's length bodies. In respect of 2009-10, reviews of risk registers across all business areas have been conducted in line with Departmental guidance. During 2009-10 the Corporate Risk Register was subject to fundamental reappraisal to confirm that it adequately identified and addressed the key risks to the Department's principal business objectives.

During 2009-10, mid-year assurance statements were submitted by all of the Chief Executives of the Department's 17 arm's length bodies. These statements were introduced to supplement the year end SICs. They provided an account of internal control matters that had arisen and attested to the continuing robustness of each organisation's system of internal control.

On 1 April 2009 responsibility for the administration of the Scheme transferred from the Department to the Business Services Organisation as a result of the Reform of Public Administration. All transactions continued to be processed through Account NI.

The key risks identified that impact upon HSC Pension Service relate to changes for existing scheme members and pensioners. The introduction of new arrangements for new scheme entrants from 1 April 2008 has added significantly to scheme complexity, administration, legislation and regulations. These changes also require increased IT functionality and support. Heywood Limited was awarded a contract in January 2007 to provide and support a new HSC Pension administration system. The implementation of this system is now completed. HSC Pension Service closely monitors the quality, accuracy and efficiency of the new administration system and maintains a dedicated risk register which is made available for audit inspection. HSC Pension Service work closely with the Department's policy team, and other UK scheme providers to ensure legislative compliance and best practice.

Management of information risk

The Department's records management arrangements are underpinned by a Records Management Policy Statement. Appropriate guidance, central controls and disposal schedule processes govern the retention and disposal of all Departmental paper records. In managing the risks associated with information loss, regular audits of Departmental information are carried out. Restrictions exist to protect access to and disposal of electronic records and associated training is mandatory within the Department.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control, by the Departmental

Board and the Audit & Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Departmental Audit and Risk Committee

The Departmental Audit & Risk Committee is a sub-committee of the Departmental Board, and was reconstituted in 2007 in accordance with best practice. The Committee comprises three members, each of whom is independent of Departmental management.

During 2009-10 the Committee completed a self-assessment using the NAO (National Audit Office) self assessment checklist. This showed substantial compliance with best practice.

The Committee gives detailed and explicit attention to internal control issues, i.e. the quality of risk management, corporate governance and internal control within the Department; cross-boundary issues affecting the Accounting Officer, e.g. in respect of the adequacy of the accountability and assurance arrangements linking him to the accounting officers in the Department's Arm's Length Bodies; and systems for responding to recommendations made by authoritative external bodies for example, Public Accounts Committee (PAC), the NI Audit Office (NIAO), and the Regional Quality Inspection Authority (RQIA). The Committee advises the Board and the Accounting Officer on its conclusions and recommendations to address identified control weaknesses.

Departmental Board

The Departmental Board has a key role in the effective corporate governance of the Department's business and monitors closely the Department's progress in the achievement of key objectives and targets, for example those set out in the Programme for Government and relevant Public Service Agreements and in the Minister's Priorities for Action. The Board meets monthly and also considers issues such as key policy proposals, budget allocations and critical issues which may have arisen.

Internal audit

The Department has an internal audit service which operates to Government Internal Audit Standards and whose work is informed by an analysis of the risks to which the Department is exposed. The annual audit plan is based on the analysis of the Departmental risk register. Its remit includes an assessment of internal financial controls, and the wider internal control environment which applies to the achievement of Departmental objectives. It submits regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's system of internal control, together with recommendations for improvement.

A robust monitoring process ensures that the Departmental Audit and Risk Committee bi-annually review progress on outstanding internal audit recommendations which are recorded in a database of recommendations.

Responsibility for the audit of HSC Pension has been transferred from DHSSPS Internal Audit to BSO. A draft report with Limited Assurance from the audit of HSC Pension Installation and a number of other outstanding recommendations from earlier reports were forwarded to HSC Internal Audit for action.

The Head of Internal Audit of BSO has reported that management accepted all of the recommendations from the draft report and a final report was issued on 28th April 2010. Recommendations will be followed up in due course. The BSO Head of Internal Audit is also following up outstanding recommendations from previous reports.

A review of the preparation of the 2009/10 Pension Scheme Resource Accounts will be carried out this year by DHSSPS Internal Audit.

Significant Internal Control Issues

Account NI

During 2009/10, DFP Internal Audit conducted ten risk based systems audits and fourteen follow-ups to previous audit reports. Advice and guidance was also provided on an ongoing basis on risk management, control and governance processes, including the retention of EU invoices. Internal Audit provided satisfactory assurance in all ten risk based audits and commended management on the high level of implementation of recommendations during follow-ups.

IT Assist

DFP Internal Audit performed an ICT governance review across DFP and included elements of IT Assist. DFP Internal Audit provided limited assurance on the Bitlocker recovery key audit but despite this, is satisfied within the confines of all work undertaken in IT Assist during the 2009/2010, that an overall satisfactory level of assurance is appropriate. This opinion is supported by reliance on the work of other key assurance providers, namely the Independent IT Health Check Professionals and the CLAS consultants employed to review Risk Management Accreditation Document Sets (RMADS).

Demographic assumptions used in actuarial valuation

FReM requires a full actuarial valuation to be carried out at intervals not exceeding four years. The date of the last full valuation was 31 March 2004 and therefore a full valuation was required as at 31 March 2008. Accordingly the actuarial liability at 31 March 2010 was calculated using a full resource accounting valuation as at 31 March 2008. However, some of the demographic assumptions used in this 2008 valuation were derived from scheme experience to 31 March 2004 because they all could not be updated in time for the completion of the Resource Accounts. GAD have indicated that that this would not materially impact on the pension scheme liability. The Department is working closely with GAD to ensure that timing of valuations are in line with the Resource Accounts timetable. The 2008 demographic assumptions will be completed in time for the 2010/11 Resource Accounts.

Dr Andrew McCormick
Accounting Officer
12 October 2010

The Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly

I certify that I have audited the financial statements of the Health and Social Care Superannuation Scheme for the year ended 31 March 2010 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Revenue Account, the Statement of Financial Position, the Statement of Recognised Gains and Losses, Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 erroe. This includes an assessment of: whether the accounting policies are appropriate to the Health and Social Care Superannuation Scheme circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Health and Social Care Superannuation Scheme; and the overall presentation of the financial statements.

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

Opinions on Regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the scheme's affairs as at 31 March 2010, and the net cash requirement, net resource outturn, net outgoings, recognised gains and losses and cash flows for the year then ended; and

- the financial statements have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001.

Emphasis of matters — demographic assumptions used in actuarial valuation

In forming our opinion on the financial statements we have considered the appropriateness of certain demographic assumptions used in the actuarial valuation as at 31 March 2010 as disclosed in note 2.10. The Financial Reporting Manual (FReM) which the Scheme accounts have been prepared in accordance with, requires a full actuarial valuation to be carried out at intervals not exceeding four years. The date of the last full valuation was 31 March 2004 and accordingly a full valuation is required as at 31 March 2008. The valuation at 31 March 2008, which forms the basis of the actuarial liability at 31 March 2010, has used certain demographic assumptions applicable as at 31 March 2004 as the 2008 full valuation is not sufficiently progressed to enable the scheme to use current scheme specific demographic assumptions.

The Scheme's actuary has indicated that the updating of the 2004 demographic assumptions to those applicable as at 31 March 2010 is unlikely to have a material effect on the resource accounts. Whilst we have not qualified our opinion in this respect we draw this matter to the attention of the readers of the resource accounts.

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
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with the Department of Finance and Personnel's guidance.

Report

I have no observations to make on these financial statements.

Kieran J Donnelly

KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

19 October 2010

HSC PENSION SCHEME
STATEMENT OF PARLIAMENTARY SUPPLY 2009-10

Summary of Resource Outturn 2009-10

		Estimate			Outturn			2009-10	2008-09
	Note	Gross Expenditure £000	Accruing Resources £000	Net Total £000	Gross Expenditure £000	Accruing Resources £000	Net Total £000	Net total outturn compared with Estimate: saving or (excess) £000	Prior Year Outturnl £000
Request for Resources:									
Providing a Superannuation Scheme for persons employed in the Health and Personal Social Services									
Annually Managed Expenditure		926,500	828,900	97,600	912,556	828,900	83,656	13,944	595,102
Total resources	3	926,500	828,900	97,600	912,556	828,900	83,656	13,944	595,102

Summary of Net Cash Requirement 2009-10

		2009-10			2008-09
			Outturn	Net total outturn compared with Estimate: saving/(excess)	Prior Year Outturn
	Note	Estimate	£000	£000	£000
Net Cash Requirement	4	—	—	—	—

Summary of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the pension scheme and is payable to the Consolidated Fund (cash receipts being shown in italics):

		2009-10 Forecast		2009-10 Outturn	
	Note	Income £000	Receipts £000	Income £000	Receipts £000
Total	**5**	**—**	**—**	**556,825**	***577,513***

Income Excess AR is £556,825,316.76. Cash Excess AR is £577,513,089.85. This amount is surrenderable to the Consolidated Fund.

Explanation of the variation between estimate and outturn (net total resources):

The estimate was based on actuarial advice at the time. Actual outturn on pension scheme outgoings was less than forecast bt £13,944k.

Explanation of the variation between estimate and outturn (net cash requirement):

(1) **Changes in working capital other than cash (£3,231k)**
Based on the historical information this figure was estimated as nil. Actual outturn exceeded this estimate by £3,231k.

(The notes on pages 27 to 45 form part of these financial statements.

HSC PENSION SCHEME
REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Note	2009-10 £000	2008-09 £000
Income			
Contributions receivable	7	822,321	333,132
Transfers in	8	10,768	3,491
Other income	9	15	37
		833,104	336,660
Outgoings			
Pension cost	10	350,000	400,000
Enhancements	11	31,314	25,591
Transfers in	12	10,768	3,491
Interest on scheme liabilities	13	520,000	460,000
Other expenditure	14	474	314
		912,556	889,396
Net Outgoings for the Year		79,452	552,736

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2010

		2009-10 £000	2008-09 £000
Actuarial (loss)/gain	19.4	(3,860,000)	780,000
Recognised (losses)/gainsfor the financial year		(3,860,000)	780,000

The notes on pages 27 to 45 form part of these financial statements.

HSC PENSION SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010

	Note	2009-10 £000	2008-09 £000	2007-08 £000
Current Assets				
Receivables	16	553,980	40,427	21,620
Cash and cash equivalents	21	48,872	82,916	—
		602,852	123,343	21,620
Payables (within 12 months)	17	(597,580)	(121,302)	(15,336)
Net Current assets, excluding pension liability		5,272	2,041	6,284
Pension liability	19.1	(12,950,067)	(8,450,559)	(8,573,741)
Net (Liabilities), including pension liabilities		(12,944,795)	(8,448,518)	(8,567,457)
Taxpayers Equity:				
General Fund	20	(12,944,795)	(8,448,518)	(8,567,457)
		(12,944,795)	(8,448,518)	(8,567,457)

The notes on pages 27 to 45 form part of these financial statements.

Dr Andrew McCormick
Accounting Officer
12 October 2010

HSC PENSION SCHEME
STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 MARCH 2010

	Note	2009-10 £000	2008-09 £000
Cash flows from operating activities			
Net outgoings for the year		(79,452)	(552,736)
Adjustments for non-cash transactions			
(Increase) in receivables related to supply		(512,913)	(18,699)
(Increase) in receivables not related to supply		(640)	(108)
Increase/(Decrease) in payables		33,810	(2,344)
Increase in pension provision	19.1	870,000	860,000
Increase in pension provision — enhancements and transfers in	19.1	42,082	29,082
Use of provisions — pension liability	19.2	(264,294)	(227,121)
Use of provisions — refunds and transfers	19.3	(8,280)	(5,143)
Net cash inflow from operating activities		80,313	82,931
Cash flows from financing activities			
From the Consolidated Fund (Supply) — current year		—	—
From the Consolidated Fund (Supply) — prior year		—	—
Net parliamentary financing		—	—
Adjustments for payments and receipts not related to supply		—	—
Net financing		—	—
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		80,313	82,931
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		—	—
Payments of amounts due to the Consolidated Fund		(114,357)	(15)
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(34,044)	82,916
Cash and cash equivalents at the beginning of the period	21	82,916	—
Cash and cash equivalents at the end of the period	21	48,872	82,916

The notes on pages 27 to 45 form part of these financial statements.

NOTES TO THE ACCOUNTS

Accounts for the year ended 31 March 2010

1. Basis of preparation of the Scheme statement

The Scheme statements have been prepared in accordance with the relevant provisions of the 2009-10 International *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel, which reflect the requirements of IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. These accounts show the unfunded pension liability and movements in that liability during the year. These accounts also have regard to the recommendations of the Statement of Recommended Practice *Financial Reports of Pension Schemes* to the extent that these are appropriate, together with the provisions of the *Health and Personal Social Services (Superannuation) (Amendment) Regulations (Northern Ireland) 2008*.

In addition to the primary statements prepared under International GAAP, the FReM also requires the scheme to prepare an additional statement - a *Statement of Parliamentary Supply*. This, and its supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

The Department has prepared it's accounts in accordance with IFRS for the first time in 2009-10. The transition to IFRS resulted in no changes to taxpayers equity or the revenue account.

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

The Scheme statement summarises the transactions of the HSC Pension Scheme. The balance sheet shows the deficit on the Scheme; the Revenue Account shows, inter alia, the movements in the liability analysed between the pension cost, enhancements, transfers in, and the interest on the scheme liability. The actuarial position of the pension scheme is dealt with in the Report of the Government Actuary and the Scheme statement should be read in conjunction with that Report.

2. Statement of accounting policies

The accounting policies contained in the *FReM* follow International Generally Accepted Accounting Practice for companies (International GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the accounts.

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Contributions receivable

Employers' normal pension contributions are accounted for on an accruals basis.

Employers' special pension and compensation contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of such an agreement, on a cash basis.

Employees' pension contributions and amounts received in respect of the purchase of added years are accounted for on an accruals basis. The associated increase in the scheme liability is recognised as expenditure. Neither Additional Voluntary Contributions (AVCs) nor payments to providers of Stakeholder Pensions are brought into account in this statement.

2.3 Pre-funding of contribution from employing bodies

Amounts receivable from employing bodies to reduce or extinguish their liabilities in respect of future payment of benefits arising from the early retirement of their employees are accounted for on an accruals basis.

2.4 Transfers in and out

Transfers in, in respect of individual members, are normally accounted for as income and expenditure (representing the associated increase in the scheme liability) on a cash basis.

2.5 Other income

Other income, including Contributions Equivalent Premium (CEP) and refunds of pension overpayments, are accounted for on an accruals basis.

Contributions Equivalent Premium income relates to the refund of National Insurance Contributions from the Contributions Agency resulting from members who left the Scheme but subsequently returned to the Scheme before the end of their 13-month disqualifying period.

Other income includes refunds of gratuities, pension overpayments and miscellaneous income. Pension overpayments can arise as a result of pensioner error, Departmental error or Exchequer loss.

2.6 Current service cost

The current service cost is the increase in the present value of the scheme liabilities arising from current member's service in the current period and is recognised in the Revenue account. The cost is based on the discount rate applicable at 1 April 2009, being 3.2% real rate (i.e. 6.0% including inflation).

2.7 Interest on scheme liabilities

The interest cost is the increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement and is recognised in the Revenue account. The interest cost is based on the discount rate applicable at 1 April 2009, being 3.2% real rate (i.e 6.0% including inflation).

2.8 Past service costs

The past service cost is the increase in the period in the present value of the scheme liabilities arising from current member's past service in the current period and is recognised in the Revenue account. The cost is based on the discount rate applicable at 1 April 2009, being 3.2% real rate (i.e. 6.0% including inflation).

2.9 Other payments

Other payments are accounted for on an accruals basis.

CEP payments relate to National Insurance Contributions due to the Contributions Agency resulting from members who have left the Scheme.

2.10 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liability is measured on an actuarial basis using the projected unit method and is discounted at the rate applicable at the close of 31 March 2010, being 1.8% real rate (i.e. 4.6 % including inflation).

As per the requirements of IAS 19 and IAS26, as amended by FReM, full actuarial valuations by a professionally qualified actuary are required at intervals not exceeding four years. In accordance with this a full resource accounting valuation was carried out as at 31 March 2008. However, some of the demographic assumptions used in this 2008 valuation were derived from scheme experience to 31 March 2004. This is because not all of the demographic assumptions required for the 2008 full valuation have yet been determined. These 2008 demographic assumptions will be completed in time for the 2010/11 resource accounts.

The Scheme's actuary have indicated that the updating of the 2004 demographic assumptions to those applicable as at 31 March 2010 is unlikely to have a material effect on the resource accounts.

The actuary reviews the most recent actuarial valuation at the balance sheet date, in this case the 2008 valuation, and updates it to reflect current conditions.

2.11 Pension benefits payable

Pension benefits payable are accounted for as a decrease in the scheme liability on an accruals basis.

2.12 Pension payments to those retiring at their normal retirement age

Where a retiring member of the pension scheme has no choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

Where a retiring member of the pension scheme has a choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the scheme liability on a cash basis.

2.13 Pension payments to and on account of leavers before their normal retirement age

Where a member leaving the Scheme before normal retirement age is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the scheme liability on an accruals basis. Refunds include amounts payable both at the time of leaving or at normal retirement age (or earlier death).

Where a member leaving the Scheme before normal retirement age has the option of receiving a refund of contributions or a deferred pension, the transaction is accounted for as a decrease in the scheme liability on a cash basis.

2.14 Lump sums payable on death in service

Lump sum payments payable on death in service are accounted for on a cash basis. They are funded through the normal pension contributions and are a charge on the pension provision.

2.15 Actuarial gains/losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect the conditions at the balance sheet date are recognised in the Statement of Recognised Gains and Losses for the year.

2.16 Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) are deducted from employees' salaries and are paid over directly by the employing organisations to the approved AVC providers.

2.17 Administration expenses

All costs of administering the HSC Pension Scheme are borne by the Business Services Organisation.

2.18 Cash and cash equivalents

Cash and cash equivalents represent cash balances held at bank as adjusted for any outstanding payments and receipts that have yet to be processed through the account.

2.19 Currency and rounding

The functional currency is sterling and all figures are rounded to the nearest thousand pounds.

3. Reconciliation of Estimates, accounts and budgets

3 (a) Reconciliation of net resource outturn to net outgoings

		2009-10			2008-09
	Note	Outturn £000	Supply estimate £000	Outturn compared with estimate £000	Outturn £000
Net Resource Outturn		**83.656**	**97,600**	**13,944**	**595,102**
Non-supply income (CFERs)	**5**	**(4,204)**	**—**	**4,204**	**(42,366)**
Net Outgoings		**79,452**	**97,600**	**18,148**	**552,736**

4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving or (excess) £000
Net Resource Outturn	3(a)	97,600	83,656	13,944
Accruals adjustments:				
Changes in working capital other than cash	4(a)	—	3,231	(3,231)
Use of provisions	19.1	291,688	272,574	19,114
New provisions and adjustments to previous provisions	19.1	(926,500)	(912,082)	(14,418)
Excess cash receipts surrenderable to the CF	5	537,212	552,621	(15,409)
Net Cash requirement		—	—	—

4 (a) Movements in Working Capital other than Cash

	Note	2009-10 £000	2008-09 £000
(Increase) in receivables related to supply	16(a)	(512,913)	(18,699)
(Increase) in receivables not related to supply	16(a)	(640)	(108)
Increase/(decrease) in payables falling due within 1 year	17(a)	33,810	(2,344)
Movement in Working Capital		(479,743)	(21,151)
Movement in interdepartmental balance with DHSSPS	18	497,200	3,434
Adjustment for CFERs included in receivables		(20,688)	21,961
Movement in Working Capital	4	(3,231)	4,244

5. Analysis of income payable to the Consolidated Fund

	2009-10 Forecast		2009-10 Outturn	
	Income £000	*Receipts £000*	Income £000	*Receipts £000*
Operating income and receipts — excess accruing resources	—	—	4,204	*24,892*
Operating income and receipts surrenderable to the CF	—	—	4,204	*24,892*
Excess cash surrenderable to the CF	—	—	552,621	*552,621*
Total	—	—	**556,825**	***577,513***

6. Reconciliation of income recorded within the Revenue Account to operating income payable to the Consolidated Fund

	2009-10 £000	2008-09 £000
Operating income	833,104	336,660
Income authorised to be Accruing Resources	(828,900)	(294,294)
Operating income payable to the Consolidated Fund	**4,204**	**42,366**

7. Pension contributions receivable

	2009-10 £000	2008-09 £000
Employers	723,631	235,084
Employees	98,690	98,048
	822,321	**333,132**

In 2009-10 Pensioncontributions receivable — employers includes a debtor of £497.2 million for SCAPE. This relates to Superannuation Contribution Adjusted for Past Experience (SCAPE). This is a one off contribution from Treasury, via DHSSPS, to compensate for underfunding of the Pension Scheme in previous years.

8. Pension Transfers in (see also note 12)

	2009-10 £000	2008-09 £000
Group transfers in from other schemes	436	—
Individual transfers in from other schemes	10,332	3,491
	10,768	**3,491**

9. Other pension income

	2009-10 £000	2008-09 £000
Contributions equivalent premium reclaimed	1	1
Refund of superannuation payments	1	35
Other	13	1
	15	37

10. Pension cost

	2009-10 £000	2008-09 £000
Current service cost	350,000	400,000
	350,000	400,000

11. Enhancements (see alo note 19.1)

	2009-10 £000	2008-09 £000
Employees: Purchase of added years	1,209	8,041
Employers: Pre-funded compensation payments	30,105	17,550
	31,314	25,591

12. Transfers in (see also note 8)

	2009-10 £000	2008-09 £000
Group transfers in from other schemes	436	—
Individual transfers in from other schemes	10,332	3,491
	10,768	3,491

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the Revenue Account as expenditure as part of the movements in the provision during the year.

13. Interest on scheme liabilities (see also note 19.1)

	2009-10 £000	2008-09 £000
Interest charge for the year	520,000	460,000
	520,000	460,000

14. Other pension expenditure

	2009-10 £000	2008-09 £000
Contributions Equivalent Premium	235	270
Contribution refund	239	44
	474	314

15. Additional Voluntary Contributions

The HSC Pension Scheme provides for employees to make Additional Voluntary Contributions (AVCs) to supplement 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, Equitable Life Assurance Society or Standard Life, 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 (FSAVC) Schemes. The Managers of the HSC Pension Scheme have responsibility only for the onward payment by employers of members' contributions to the Scheme's approved provider. These AVCs are not brought to account in this statement. Members participating in this arrangement each receive an annual statement from the approved provider at 31 March each year confirming the amounts held to their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

The Equitable Life Assurance Society

Employees make contributions to two Schemes (W0111) and (WP111) provided by the Equitable Life Assurance Society.

Scheme number W0111

Movements in the year were as follows:

	2009-10 £000	2008-09 £000
Balance at 1 April	1,926	2,118
New investments (net of transfers/refunds)	66	92
Sales of investments to provide pension benefits	(262)	(94)
Changes in market value of investments	325	(190)
Balance at 31 March	**2,055**	**1,926**

Scheme number WP111

Movements in the year were as follows:

	2009-10 £000	2008-09 £000
Balance at 1 April	2,395	2,497
New investments (net of transfers/refunds)	(6)	(13)
Sales of investments to provide pension benefits	(63)	(29)
Changes in market value of investments	175	(60)
Balance at 31 March	**2,501**	**2,395**

Standard Life

Movements in the year were as follows:

	2009-10 £000	2008-09 £000
Balance at 1 April	2,833	3,720
New investments (net of transfers/refunds)	142	78
Sales of investments to provide pension benefits	(145)	(318)
Changes in market value of investments	876	(647)
Balance at 31 March	**3,706**	**2,833**

16 Receivables – contributions due in respect of pensions

16 (a) Analysis by type

Amounts falling due within one year:	2009-10 £000	2008-09 £000	2007-08 £000
Pension contributions due	32,463	24,892	16,323
Capitalised cost of enhancement to pensions payable on departure	22,867	14,885	4,793
Overpaid pensions	190	154	100
Other receivables	804	5	21
Balance due from DHSSPS	496,525	—	—
	552,849	39,936	21,237
Non-supply debtors: Injury benefit	1,131	491	383
Total Receivables due within one year	553,980	40,427	21,620

Included in pension contributions due is £4,204k (2008/09 £24,892k) that will be due to the Consolidated Fund once the debts are collected.

In 2009-10 balance due from DHSSPS includes a debtor of £497.2 million for SCAPE. This relates to Superannuation Contribution Adjusted for Past Experience (SCAPE). This is a one off contribution from Treasury, via DHSSPS, to compensate for underfunding of the Pension Scheme contributions in previous years.

16 (b) Intra-government balances

Amounts falling due within one year	2009-10 £000	2008-09 £000	2007-08 £000
Balances with other central government bodies	504,760	4,085	4,155
Balances with HSC Trusts	44,406	36,004	17,095
Balances with bodies external to government	4,814	338	370
At 31 March	553,980	40,427	21,620

17. Payables – in respect of pensions

17 (a) Analysis by type

Amounts falling due within one year:	2009-10 £000	2008-09 £000	2007-08 £000
Pensions	3,784	3,529	3,125
Inland Revenue	4,872	2,193	2,054
Other payables	32,099	548	1
Balance due to the Department of Health, Social Services and Public Safety	—	675	4,109
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund	556,825	114,357	6,047
Total payables due within one year	**597,580**	**121,302**	**15,336**

17 (b) Intra-government balances

Amounts falling due within one year	2009-10 £000	2008-09 £000	2007-08 £000
Balances with other central government bodies	563,290	117,225	12,210
Balances with HSC Trusts	30,258	—	—
Balances with bodies external to government	4,032	4,077	3,126
At 31 March	**597,580**	**121,302**	**15,336**

18. Amounts due (to)/from the Consolidated Fund

	2009-10 £000	2008-09 £000	2007-08 £000
Net cash requirement (Summary of Resource Outturn)	—	—	5,112
Surplus carried over from the previous year	(3,116)	(3,116)	4,757
Cash drawn down during the year	—	—	(12,985)
Payment made to Consolidated Fund	3,116	—	—
Due (to)/from Consolidated Fund at year end	—	(3,116)	(3,116)
Excess ARs payable to the Consolidated Fund	(4,204)	(45,282)	(2,931)
Excess cash receipts surrenderable to the Consolidated Fund	(552,621)	(65,960)	—
	(556,825)	(114,358)	(6,047)

	2009-10 £000	2008-09 £000	2007-08 £000
Cash and cash equivalents	48,872	82,916	—
Balance due from/(to) the Department of Health, Social Services and Public Safety	496,525	(675)	(4,109)
Consolidated Fund Extra Receipts included in receivables	4,204	24,892	2,931
Excess net cash requirement	7,225	7,227	7,225
	556,825	114,358	6,047

19. Provision for pension liability

Assumptions underpinning the provision for pension liability.

The HSC Pension Scheme is an unfunded defined benefit scheme. The Government Actuary's Department carried out an assessment of the scheme liabilities as at 31 March 2010. The Statement by the Actuary on pages 9 to 13 sets out the scope, methodology and results of the work the actuary has carried out. The Resource Accounts updated valuation at 31 March 2010 is based on a full resource accounting valuation carried out as at 31 March 2008. However, some of the demographic assumptions used in this 2008 valuation were derived from scheme experience to 31 March 2004. This is because not all of the demographic assumptions required for the 2008 full valuation have yet been determined. These 2008 demographic assumptions will be completed in time for the 2010/11 resource accounts.

The Scheme's actuary have indicated that the updating of the 2004 demographic assumptions to those applicable as at 31 March 2010 is unlikely to have a material effect on the resource accounts.

The scheme managers together with the actuary and the auditor have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the scheme managers should make available to the Actuary in order to meet the expected requirements of the scheme auditor. This information includes, but is not limited to, details of:

- o scheme membership, including age and gender profiles, active membership, deferred pensioners and pensioners;
- o benefit structure, including details of any discretionary benefits and any proposals to amend the scheme;
- o income and expenditure, including details of expected bulk transfers into or out of the scheme; and
- o 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.

The major assumptions used by the Actuary were:

	31 March 2010	31 March 2009	31 March 2008	31 March 2007	31 March 2006
Rate of increase in salaries	4.3%	4.3%	4.3%	4.3%	4.0%
Rate of increase in pensions in payment and deferred pensions	2.8%	2.8%	2.8%	2.8%	2.5%
Inflation assumption	2.8%	2.8%	2.8%	2.8%	2.5%
Discount rate	4.6%	6.0%	5.3%	4.6%	5.4%

These key assumptions are inherently uncertain, since it is difficult 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 scheme 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.

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 yields on high quality corporate bonds. HM Treasury advise the relevant rate each year, based on the advice of the Government Actuary's Department. The inflation assumption reflects the long-term assumption for the RPI used in Treasury forecasting. The rates are set out in the above table. Any material decrease in the discount rate net of inflation leads to a significant increase in the reported liability.

In reality the complexity and range of assumptions underlying the calculation of pension liability are such that a change in one financial assumption is likely to have a knock-on effect on other financial assumptions. In the opinion of the scheme managers, the actuary has used key assumptions that are the most appropriate for the scheme in light of current knowledge.

Analysis of the provision for pension liability

Categories	At 31 March 2010 £bn	At 31 March 2009 £bn	At 31 March 2008 £bn	At 31 March 2007 £bn	At 31 March 2006 £bn
Pensions in Payment	**3.5**	**2.7**	**2.5**	**2.4**	**2.0**
Deferred Pensions	**1.2**	**0.5**	**0.5**	**0.4**	**0.3**
Active Members (Past Service)	**8.3**	**5.3**	**5.6**	**6.6**	**4.9**
Total	**13.0**	**8.5**	**8.6**	**9.4**	**7.2**

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 far into the future. These 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.

The value of the liability included on the 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 reduce the assumed rate of inflation, or the assumed rate of increase in salaries, relative to the discount rate used, then the value of the pension scheme liability will decrease (other things being equal). Conversely, if the assumed rates are increased relative to the discount rate used, the value of the liability will increase. The managers/trustees of the scheme 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 notes 19.4 and 19.5. The note also discloses '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.

19.1 Analysis of movement in scheme liability

		2009-10		2008-2009		2007-2008	
	Note	£000	£000	£000	£000	£000	£000
Scheme liability at 1 April			8,450,559		8,573,741		9,441,519
Current service cost	10	350,000		400,000		470,000	
Past service cost	10	—		—		(320,000)	
Interest on pension scheme liability	13	520,000		460,000		430,000	
			870,000		860,000		580,000
Enhancements	11	31,314		25,591		14,301	
Pension transfers in	8	10,768		3,491		7,361	
			42,082		29,082		21,662
Benefits payable	19.2	(264,294)		(227,121)		(195,316)	
Pension payments to and on account of leavers	19.3	(8,280)		(5,143)		(4,124)	
			(272,574)		(232,264)		(199,440)
Actuarial loss/(gain)	19.4		3,860,000		(780,000)		(1,270,000)
Scheme liability at 31 March			**12,950,067**		**8,450,559**		**8,573,741**

During the year ended 31 March 2010, employer contributions represented an average of 13.3% of pensionable pay.

19.2 Analysis of benefits payable

	2009-10 £000	2008-09 £000	2007-08 £000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	195,679	173,442	156,539
Commutations and lump sum benefits on retirement	65,854	51,668	36,916
Death in Service Benefits	2,761	2,011	1,861
Per statement of cash flow	**264,294**	**227,121**	**195,316**

19.3 Analysis of payments to and on account of leavers

	2009-10 £000	2008-09 £000	2007-08 £000
Individual transfers to other schemes	8,280	5,143	4,124
Per statement of cash flow	**8,280**	**5,143**	**4,124**

19.4 Analysis of actuarial (loss)/gain

	2009-10 £000	2008-09 £000	2007-08 £000
Experience (loss)/gain arising on scheme liabilities	(430,000)	(290,000)	500,000
Changes in assumptions underlying the present value of Scheme liabilities	(80,000)	(240,000)	(520,000)
Adjustment to discount rate % at 31 March	(3,350,000)	1,310,000	1,290,000
Per Statement of Recognised Gains and Losses	**(3,860,000)**	**780,000**	**1,270,000**

19.5 History of Experience (losses)/gains

	2009-10	2008-09	2007-08	2006-07	2005-06
Experience (losses)/gains on scheme liabilities:					
Amount (£000)	(430,000)	(290,000)	500,000	120,000	(150,000)
% of the present value of the scheme liabilities	-3.3%	-3.4%	5.8%	1.3%	-2.1%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£000)	(3,860,000)	780,000	1,270,000	(1,640,000)	(1,100,00)
% of the present value of the scheme liabilities	-29.8%	9.2%	14.8%	-17.4%	-15.2%

19.6 Sensitivity of Results

The Government Actuary has been asked to indicate the approximate effects on the actuarial liability as at 31 March 2010 of changes to the main actuarial assumptions.

The key financial assumptions are the rate of return net of price inflation and the rate of return net of salary inflation. A key demographic assumption is members' longevity. The table below indicates the order of magnitude of changes to these assumptions on the scheme's liability:

Change in assumption	Approximate % change in the liability	Approximate increase / decrease to the liability
Increase / decrease in the rate of return in excess of salaries of ½% per annum, holding all other assumptions constant	Increase / decrease of 4% for active members	£0.5 billion
Increase / decrease in the rate of return in excess of prices of ½% per annum, holding all other assumptions constant	Increase / decrease of 9% for all members	£1.1 billion
Assumed longevity increased by rating the tables assumed down by 2 years	Increase of 5% for all members	£0.6 billion

19.7 Pensioner Mortality

The following tables show the average number of years that both current and future pensioners are expected to live after retirement age, under the mortality assumptions used for the Resource Accounts as at 31 March 2010.

Average no of years current pensioners expected to live after retiring at age:	Men	Women
55	34.3	37.6
60	29.1	32.3
65	23.9	27.1

Average no of years future pensioners expected to live after retiring at age:	Men	Women
55	35.4	38.6
60	30.6	33.8
65	26.0	29.1

20. General Fund

The General Fund represents the total assets less liabilities of the pension scheme, to the extent that the total is not represented by other reserves and financing items.

	Note	2009-10 £000	2008-09 £000	2007-08 £000
Balance at 1 April		(8,448,518)	(8,567,457)	(9,434,185)
Net Parliamentary Funding:				
Draw down		—	—	8,228
Year End Adjustment:				
Supply creditor — current year		—	—	(3,116)
Net transfer from operating activities:				
Net outgoings		(79,452)	(552,736)	(405,453)
CFERs repayable to consolidated fund	5	(556,825)	(108,325)	(2,931)
Actuarial gains (SRGL)		(3,860,000)	780,000	1,270,000
Balance at 31 March		**(12,944,795)**	**(8,448,518)**	**(8,567,457)**

21. Cash and cash equivalents

	2009-10 £000	2008-09 £000	2007-08 £000
Balance at 1 April	82,916	—	—
Net change in cash balances	(34,044)	82,916	—
Balance at 31 March	**48,872**	**82,916**	**—**
The following balances at 31 March were held at:			
Commercial banks and cash in hand	48,872	82,916	—
Balance at 31 March	**48,872**	**82,916**	**—**

22. Financial Instruments

As the cash requirements for the DHSSPS HSC Pension Scheme 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 Scheme's expected purchase and usage requirements and the Scheme is therefore exposed to little credit, liquidity or market risk.

23. Contingent liabilities disclosed under IAS 37

In the unlikely event of a default by one of the approved AVC providers, the Department of Health, Social Services and Public Safety will guarantee pension payments. This guarantee does not apply to members who make payments to institutions offering Free Standing Additional Voluntary Contributions.

The Department has received legal claims from 313 individuals who are pursuing the possibility of having part time HSC service before 1 April 1991 considered for pension purposes. To date approximately 44 claims have been identified as eligible for settlement. At this time 25 formal offers of reinstatement have been issued and 23 have been accepted by the claimants. We await reply on the remaining 2 offers. Should all 44 individuals choose to avail of the offer, the maximum cost to the HSC Pension Scheme is estimated to be in the region of £101,420.

The Department has given an undertaking to maintain parity with GB on granting freelance and GP locums access to the HSC Pension Scheme. Backdating for freelance locums would be to 1 April 2001, and for GP locums 1 April 2002. Accurately establishing employer contribution costs for backdated service has proved difficult. However, Pension Branch has estimated that the total employer contribution liability for backdating these locums would be in the region of £500k. This estimate assumes that one third of all locums will seek to have membership backdated. If locums decide to have their memberships backdated, then they will be liable to pay the employee contributions themselves. Information regarding the value of this contingent asset is not available at this time. Once these contingent assets are realised, there will be an associated liability reflected in the Scheme Liability that represents the pension benefits of the new members.

Following a judicial review, the dynamising factors used to calculate GP pensions were revised. As a result, the pension benefits calculated for all 152 GPs who retired between 1 April 2004 and 31 March 2008 were revised. The arrears of benefits were paid to the GPs between 25 February 2009 and 20 July 2009. Recently introduced legislation means the arrears attract interest. The cost of these interest payments has not yet been calculated but the arrears of pension paid was £2.7m and the arrears of lump sum retiring allowance paid was £3.4m. It is expected that the exercise to calculate and pay the interest will be completed early autumn.

24. Losses and Special Payments

24 (a) Losses Statement

	2009-10 No of cases	2009-10 £000	2008-09 £000
Total	**50**	**1**	**159**

24 (b) Special Payments

	2009-10 No of cases	2009-10 £000	2008-09 £000
Total	**27**	**61**	**104**

25. Related party transactions

The HSC Pension Scheme falls within the ambit of the Department of Health, Social Services and Public Safety, which is regarded as a related party. During the year, the Scheme has had material transactions with the Department and the employing bodies whose employees are members of the Scheme. None of the Managers of the Scheme, key managerial staff or other related parties have undertaken any material transactions with the Scheme during the year.

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