

SCOTTISH PUBLIC PENSIONS AGENCY - PENSION SCHEME STATEMENT

SCOTTISH TEACHERS' PENSION SCHEME 2002-2003

1. The Scottish Public Pensions Agency is responsible for managing the Scottish Teachers' Pension Scheme whose members comprise teachers (as defined by The Teachers' Superannuation (Scotland) Regulations 1992 as amended) employed by Local Authorities, Further Education Colleges, Universities and Independent Schools. Chapter 15 of the Resource Accounting Manual requires pension schemes to publish scheme statements which conform as far as possible to the provisions of Statement of Recommended Practice "Financial Reports of Pension Schemes".

2. The statement for the Scottish Teachers' Pension Scheme comprises:

- a. a report of the managers;
- b. a report of the Actuary;
- c. a statement of the Accountable Officer's responsibilities;
- d. a statement on internal control;
- e. an auditor's report;
- f. schedule 1 (summary of resource outturn);
- g. schedule 2 (revenue account);
- h. schedule 3 (balance sheet);
- i. schedule 4 (a cash flow statement);
- j. notes to the statement.

THE SCOTTISH TEACHERS' PENSION SCHEME

REPORT OF THE MANAGERS

Accounts for the year ended 31 March 2003

Introduction

The Scottish Teachers' Pension Scheme is an unfunded, contributory, voluntary membership Scheme administered by the Scottish Public Pensions Agency. The current regulations under which the Scheme operates are The Teachers' Superannuation (Scotland) Regulations 1992, as amended.

The Regulations apply to "teachers" as defined by the Regulations.

Information about the Scheme is given in the explanatory booklet "*An easy to read Guide*" dated October 1998 (amended 2003) which is issued to all members. Further more specialised leaflets, for example "*A Guide to the purchase of Past Added Years*", are available on request.

The Agency also maintains an Internet site on <http://www.scotland.gov.uk/sppa/> which provides a range of information on the Teachers' Scheme.

Managers, Advisers and Employers

Managers:

Agency Accountable Officer:

Ralph Garden
Chief Executive
Scottish Public Pensions Agency
7 Tweedside Park
Galashiels
TD1 3TE

Scheme Administrator:

Gordon Taylor
Scottish Public Pensions Agency

Advisers:

Scheme Actuary: Government Actuary's Department
Finlaison House
15-17 Furnival Street
London
EC4A 1AB

Bankers: Paymaster (1836) Limited
Sutherland House
Russell Way
West Sussex
RH10 1UH

Legal Advisors: Solicitors Office
The Scottish Executive
Victoria Quay
Edinburgh
EH6 6QQ

Auditor: Gillian Woolman
Chief Auditor
Audit Scotland
Osborne House
1/5 Osborne Terrace
Edinburgh
EH12 5HG

Employers:

Teachers employed by Scottish Local Authorities, Further Education Colleges, Universities and Independent Schools, are eligible to join the scheme. At 31 March 2003 these made up a total of 184 employers.

Free-Standing Additional Voluntary Contributions and Stakeholder Pensions:

Teachers participating in the Scottish Teachers' Pension Scheme (STPS) may make their own arrangements for making payments to institutions offering free-standing additional voluntary contribution (FSAVC) schemes. The STPS Managers have no responsibility for such arrangements. Because the STPS does not exclude any teacher from membership, there is no requirement to provide a Stakeholder Pension Scheme and no such Scheme has been put in place.

Changes to the Scheme:

During the year the following changes were made:

Pensions were increased by 1.7% with effect from 8th April 2002.

The principal Regulations that prescribe the Scheme (the Teachers' Superannuation (Scotland) Regulations 1992 (S.I. 1992 No. 280)) were further amended:

- To introduce an early retirement facility whereby members aged 55 to 59 can retire with actuarially-reduced benefits;
- To introduce a winding down scheme, the phased retirement option proposed in the Agreement, 'A Teaching Profession for the 21st Century', under which teachers who meet prescribed eligibility criteria can work part-time whilst the value of their Scheme benefits is protected; and
- To increase the employers' contribution rate to 7.4%, with effect from 1st April 2003.

Forthcoming changes

It is anticipated that further changes will be made to the Regulations governing the Scheme to prescribe a new method for actuarially assessing the Scheme's finances. It is also expected that the Scheme will become liable for meeting the cost of pension increases, currently borne centrally by the Exchequer. The intention is that, through higher contribution rates, employers will meet the cost but that their budgets would be adjusted accordingly so that the impact would be broadly cost-neutral.

Membership statistics

Details of the membership of the Scheme as at 31 March 2003 are as follows:
(The figures for 31 March 2002 are in brackets).

Active members	69,973	(63,966)
Members with Preserved Rights	not available	(30,514)
Pensioners and dependants in payment	45,624	(43,670)
Awards of Pension (including revisions)	not available	(1,609)

made during the year

Transfers in and out of the Scheme	902	(589)
Refunds of contributions to leavers	133	(196)

Further Information

Any enquiries about the Scottish Teachers' Pension Scheme should be addressed to:

Gordon Taylor
The Scheme Administrator
Scottish Public Pensions Agency
7 Tweedside Park
Galashiels
TD1 3TE

Accountable Officer

Date

SCOTTISH TEACHERS PENSION SCHEME

REPORT OF THE ACTUARY

Accounts for the year ended 31 March 2003

A. Liabilities

The capitalised value as at 31 March 2003 of expected future benefit payments under the Scottish Teachers Pension Scheme, for benefits accrued in respect of employment (or former employment) prior to 31 March 2003, has been assessed using the methodology and assumptions set out in Sections C and D below. The results are as follows:

Value of liabilities	£ billion
Pensions in Payment	5.00
Deferred Pension	0.60
Active Members (Past Service)	<u>4.40</u>
TOTAL	<u>10.0</u>

B. Accruing Costs

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 2002-03 were assessed at the last full actuarial valuation as follows:

	% of Pensionable Pay
Standard Contribution Rate	17.9%
Members' Contribution Rate	6.0%
Employer's share of standard cost	11.9%
Actual rate charged to Employers for current year	7.15%

In relation to the pensionable payroll for the financial year, the actual charges made to employers in cash terms are assessed as £139m for financial year 2002-03. The actual rate charged to employers is 7.15%, which includes a supplementary contribution of 0.75%. (The rate excluding the supplementary contributions would be 6.4%). This is less than the standard cost of 11.9% because the actual contribution rate excludes the cost of pension increases.

C. Methodology

The value of liabilities has been obtained using the projected accrued benefit method, with allowance for expected future pay increases in respect of active members. The standard

contribution rate for accruing costs (of 17.9%) has been determined using the new entrant method. The standard contribution rate assessed using the projected unit method is estimated to be 18.4%.

D. Assumptions

The principal financial assumptions adopted for the pension assessments in this statement are a rate of return in excess of price increases of 3% p.a. (most pension benefits under the scheme are increased in line with prices), and a rate of return in excess of earnings increases of 2% p.a. The demographic assumptions adopted for the assessments are derived from the specific experience of the scheme membership.

E. Notes

- (1) Section A of this Statement is based on the results of a full actuarial valuation carried out as at 31 March 1996 with an approximate updating for subsequent financial years to reflect known changes in the STPS. This represents a slightly different approach from the previous year, when the results also took into account changes in the TPS (England and Wales) liabilities. The profit and loss disclosures include the effect of this change. A further change has been made to exclude the liability arising if a deferred member re-enters service. The profit and loss disclosures show the total effect of both changes.
- (2) The pension benefits taken into account this assessment are those normally provided from the rules of the pension scheme, including normal retirement benefits, ill-health retirements, 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 in respect of current employees. However, some pensions already in payment in respect of such cases are included in the statement of liabilities in Section A above.

E I Battersby, FIA
Chief Actuary
Government Actuary's Department

11 September 2003

THE SCOTTISH TEACHERS' PENSION SCHEME

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 the Scottish Ministers have directed the Accountable Officer to prepare a combined resource account in respect of the Scottish Teachers' Pension Scheme in the form and on the basis set out in the accounts direction at page 30 of these statements.

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 show a true and fair view of the financial transactions of the Scheme during the year and the disposition, at the end of the Scheme year, of the net assets. Note 3 "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 assets at the year-end.

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

- suitable accounting policies have been selected and applied consistently;
- the financial statements have been prepared on the going concern basis, unless it is inappropriate to presume that the Scheme 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 in the Resource Accounting Manual subject to any material departures disclosed in the financial statements.

The Scottish Ministers appointed an Accountable Officer, the Head of Finance and Central Services Department. The responsibilities of Accountable Officers are described in the Memorandum to Accountable Officers from the Principal Accountable Officer published in the Scottish Public Finance Manual.

SCOTTISH TEACHERS' PENSION SCHEME

STATEMENT ON INTERNAL CONTROL

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 March 2003 and up to the date of approval of the financial statements and accords with the guidance from Scottish Executive Ministers.

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- guidance on Risk Management has been received from the Executive; the Scottish Public Pensions Agency's (Agency) Management Board has identified the top-level Agency wide risks and consolidated these into a risk register together with a determination of a control strategy for each risk;
- the Agency's Management Board have ensured that risk management and internal control will be considered on a regular basis at their meetings;
- risk management is fully incorporated into the business planning and decision making processes of the organisation;
- regular reports by internal audit which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement; and
- key performance and risk indicators.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and Chief Executive of the Agency who has responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports. The report on Internal Audit Activities in 2002/2003 noted that certain audit recommendations were delayed over the period of the Agency's move to Galashiels, but they are satisfied these implementation delays did not impact significantly on the achievement of the organisations aims, policies and objectives.

The Agency uses and relies on the core financial management systems of the Scottish Executive to carry out its own accounting and some payment functions. I have received satisfactory assurance from the Principal Finance Officer on the reliance of these central systems.

Accountable Officer
2003

Independent Auditor's Report

To the Scottish Parliament and the Auditor General for Scotland

I have audited the financial statements on pages 13 to 29 under the Public Finance and Accountability (Scotland) Act 2000. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 19 and 20.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Accountable Officer and Auditor

As described on page 8 the Accountable Officer is responsible for the preparation of the financial statements and for ensuring the regularity of expenditure and receipts. My responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by 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 Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers and whether, in all material respects:

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

I report whether the contributions payable to the Scheme have been paid in accordance with the Scheme rules and the recommendations of the Actuary. I also report if, in my opinion, the Report of the Scheme Managers is not consistent with the audited financial statements, if the Agency has not kept proper accounting records for the Scheme or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 9 and 10 complies with Scottish Executive guidance on statements on the system of internal control. I report if, in my opinion, the statement does not comply with the guidance or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinions

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, which requires compliance with United Kingdom 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 expenditure and receipts shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scheme's 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 fraud or other irregularity or error, and that, in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied

in accordance with any applicable enactments and guidance issued by the Scottish Ministers. 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 Scheme year are not required to be recognised in the balance sheet but are disclosed in the Report of the Actuary and in the notes to these accounts.

Opinions

Financial Statements

In my opinion the financial statements give a true and fair view of the state of affairs of the Scottish Teachers' Pension Scheme at 31 March 2003 and of the net outgoings and cash flows for the year then ended and have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Regularity

In my opinion, in all material respects:

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000;
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998; and
- the contributions payable to the Scheme during the year ended 31 March 2003 have been paid in accordance with the Scheme rules and the recommendation of the Actuary.

Gillian Woolman ACA
Chief Auditor
Audit Scotland

Osborne House
1/5 Osborne Terrace
Edinburgh

2003

Schedule 1

SCOTTISH TEACHER'S PENSION SCHEME SUMMARY OF RESOURCE OUTTURN 2002-03

	2002-03						2001-02	
	ESTIMATE			OUTTURN			Net total outturn compared to Estimate: saving/(excess)	Prior Year Outturn
	Gross Expenditure	Budgeted Income	Net Total	Gross Expenditure	Income Applied	Net Total		
1	2	3	4	5	6	7	8	
	£000	£000	£000	£000	£000	£000	£000	
REQUEST FOR RESOURCES	460,000	279,000	181,000	434,013	273,203	160,810	20,190	153,694
NET CASH REQUIREMENT			181,000			160,710	20,290	156,201

Reconciliation of resources to cash requirement						
	Note	£000	£000	£000	£000	
Net Total Resources		181,000		160,810	20,190	153,694
Accruals adjustments						
Movement in working capital other than cash	13			(100)	100	2,507
Net Cash Requirement		<u>181,000</u>		<u>160,710</u>	<u>20,290</u>	<u>156,201</u>

Explanation of the variation between Estimate and Outturn

A lower number of retirements than expected. Transfer income less than expected. Estimates have been prepared on a cash basis.

Explanation of the variation between Estimate net cash requirement and outturn net cash requirement

As above.

Analysis of income payable to the Consolidated Fund

In addition to income applied the following income relates to the department and is payable to the Consolidated Fund (cash receipts are shown in italics);

	2002-03 Forecast		2002-03 Outturn	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Income not Applied	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

SCOTTISH TEACHERS' PENSION SCHEME

REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2003

	Note	2002-03 £000	2001-02 £000
<u>Contributions and Benefits</u>			
Contributions receivable	4	(258,356)	(239,656)
Transfers in	5	(14,821)	(21,279)
Other Income	6	<u>(26)</u>	<u>(32)</u>
		<u>(273,203)</u>	<u>(260,967)</u>
Benefits payable	7	418,541	378,549
Leavers	8	<u>15,472</u>	<u>15,145</u>
		<u>434,013</u>	<u>393,694</u>
Net Outgoings for the year	10	160,810	132,727
Net Resource Outturn	10	160,810	153,694

The notes on pages 17 to 29 form part of these accounts.

Schedule 3

SCOTTISH TEACHERS' PENSION SCHEME

BALANCE SHEET AS AT 31 MARCH 2003

	Note	2002-03 £000	2001-02 £000
Debtors			
Contributions due in respect of pensions:			
Employers		11,746	10,779
Employees - Ordinary		9,855	9,368
Employees – Added years		170	159
		21,771	20,306
Due from the Scottish Executive		Nil	20,967
		21,771	41,273
Creditors: amounts falling due within 12 months			
Pensions	11	(6,303)	(4,738)
Income not Applied	12	Nil	(20,967)
		(6,303)	(25,705)
Net Assets		15,468	15,568
Financed by:			
Revenue account			
Balance brought forward		15,568	13,061
Financing from the Consolidated Fund		160,710	135,234
Net outgoings for the year (Schedule 2)		(160,810)	(132,727)
		15,468	15,568

Accountable Officer

Date

The notes on pages 17 to 29 form part of these accounts

SCOTTISH TEACHERS' PENSION SCHEME

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

	2002-03	2001-02
	£000	£000
Net cash outflow from operating activities (note i)	<u>(160,710)</u>	<u>(135,234)</u>
Financing (note ii)	<u>160,710</u>	<u>135,234</u>

Note i

Reconciliation of Net Outgoings to operating cash flows

	2002-03	2001-02
	£000	£000
Net Outgoings for the year (Schedule 2)	(160,810)	(132,727)
Adjustments for movements in working capital other than cash (Note 13)	100	(2,507)
Net cash outflow from operating activities	<u>(160,710)</u>	<u>(135,234)</u>

Note ii

Analysis of Financing and reconciliation to net cash requirement

	2002-03	2001-02
	£000	£000
From the Consolidated Fund (Supply): current year expenditure	<u>160,710</u>	<u>135,234</u>
Net Financing	160,710	135,234
Adjustments for payments and receipts not related to Supply:		
Income not Applied and not paid over (Schedule 3)	<u>Nil</u>	<u>20,967</u>
Net Cash Requirement (Schedule 1)	<u>160,710</u>	<u>156,201</u>

The notes on pages 17 to 29 form part of these accounts

SCOTTISH TEACHERS' PENSION SCHEME

NOTES TO THE SCHEME STATEMENT

Accounts for the year ended 31 March 2003

1. The Scottish Teachers' Pension Scheme

The Scottish Teachers' Pension Scheme is an unfunded defined benefits scheme. A full actuarial valuation was carried out at 31 March 1996. The Report of the Actuary updating this to 31 March 2003 is set out on pages 6 to 7. The major assumptions used by the Government Actuary were:

	At 31 March 2003	At 31 March 2002
Rate of return in excess of earnings increases	2.0%	2.0%
Rate of return in excess of price increases	3.5%	3.5%

Pension benefits under the scheme are increased in line with inflation. In accordance with the *Resource Accounting Manual*, the scheme liability has been discounted at a real rate of 3.5%.

The present value of the scheme liabilities at 31 March 2003 is £10 billion.

During the year ended 31 March 2003, employees' and employers' contributions were 6% and 7.15% of pensionable pay respectively. It has been agreed that employers' contributions will increase to 7.4% from 1 April 2003 and to 12.5% from 1 October 2003. Employees' contributions will remain unchanged.

Movement in scheme liability during the year

	£ bn	£ bn
Scheme liability at 1 April 2002		10.50
Current service cost	0.35	
Past service cost	-	
Interest on pension scheme liability	0.65	
		1.00
Benefits payable		
Including benefits payable to leavers	(0.45)	
		(0.45)
Pension transfers in	-	
		(1.05)
Actuarial loss/(gain)		(1.05)
Scheme liability at 31 March 2003		10.00

Analysis of actuarial loss/(gain)

	2002-03 £ bn
Experience gains and losses arising on the scheme liabilities	0.30
Changes in assumptions underlying the present value of the scheme liabilities	(1.35)
	<hr/> <u>(1.05)</u> <hr/>

Experience gains and losses

	2002-03
Experience gains and losses arising on the scheme liabilities: amount (£ bn)	0.30
Percentage of the present value of the scheme liabilities	3%
Total actuarial loss/(gain): amount (£ bn)	(1.05)
percentage of the present value of the scheme liabilities	10.5%

2. Basis of preparation of the scheme statements

The scheme statements have been prepared in accordance with a direction given by the Scottish Ministers, the relevant provisions of the Resource Accounting Manual issued by the Treasury which are based on the recommendations of the Statement of Recommended Practice “Financial Reports of Pension Schemes” and the governing scheme legislation, The Teachers’ Superannuation (Scotland) Regulations 1992 as amended.

The scheme statements summarise the transactions of the Scottish Teachers’ Pension Scheme. They do not take account of obligations to pay pensions and benefits which fall due after the end of the current year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the Report of the Actuary on pages 6 to 7 and these scheme statements should be read in conjunction with that report.

The particular accounting policies adopted by the Scheme are described below. They have been applied consistently in dealing with items that are considered material in relation to the Scheme statements.

3. Accounting policies

3.1 Contributions

Employers' normal contributions are accounted for on an accruals basis. There are no employers' special pension and compensation contributions.

Employees' contributions, which include amounts paid in respect of the purchase of added years of service, are accounted for on an accruals basis. Additional Voluntary Contributions (AVCs) (Note 14) are not brought to account in this Statement.

3.2 Transfers

Transfers in and out of the pension scheme are accounted for on a cash basis, although group transfers in and out may be accounted for on an accruals basis where the scheme has formally accepted or transferred a liability.

3.3 Other Income

Other income is accounted for on a cash basis.

Other income includes refunds of Contributions Equivalent Premiums (CEP) and miscellaneous income.

3.4 Benefits Payable

Pensions payable, including income tax, are accounted for on an accruals basis. Pensions are paid monthly in arrears on the last banking day of each month. Pension awards due at the year-end, where payment is made in April and May, are accrued.

Income tax is deducted from pensions and paid to the Inland Revenue as soon as possible in the following month.

3.5 Payments to leavers

A member leaving the scheme before normal retirement age can claim a refund of contributions if he has less than two years service, such transactions are accounted for on a cash basis. Members with more than two years service at the point of leaving can either transfer the

value of their service to another pension scheme or preserve their accrued pension for payment at age 60. These transfers are accounted for on a cash basis.

3.6 Payments to those retiring

Where a member retiring has no choice over the allocation of benefits between the value of the lump sum and the annual pension, as is the case at present in the Scottish Teachers' Pension Scheme, the transaction is accounted for on an accruals basis.

3.7 Compensation for early retirement

Compensation for early retirement because of redundancy or the need to support the efficient exercise of the employer's functions is a liability on the employers of teachers and so is not accounted for in the financial statements of the Scottish Teachers' Pension Scheme. All such compensation is paid separately through employers' payroll systems.

4. Contributions receivable

	2002-2003 £000	2001-2002 £000
Employers	138,666	126,465
Employees		
Ordinary contributions	117,677	111,407
Purchase of added years	2,013	1,784
	258,356	239,656

5. Transfers in

	2002-2003 £000	2001-2002 £000
Individual transfers in from other schemes including personal pension schemes and mis-selling re-instatements	14,821	21,279

6. Other Income

	2002-2003 £000	2001-2002 £000
Miscellaneous income	26	32

7. Benefits payable

	2002-2003	2001-2002
	£000	£000
Pensions to:		
Retired Teachers	336,798	
Dependants	16,326	
	<u>353,124</u>	339,610
Lump sum benefits		
On retirement	58,720	34,854
On death	6,697	4,085
	<u>418,541</u>	<u>378,549</u>

7 (a). Tax

Tax is deducted from pensions payable on a PAYE basis and the tax due remitted to the Inland Revenue on the beneficiaries' behalf. Lump sums are free of tax.

Of the £353.124 million due in 2002-03 (2001-02: £339.610m), £303.734 million (2001-02: £293.723m) was paid directly to beneficiaries and £49.390 million (2001-02: £45.887m) to the Inland Revenue on their behalf.

8. Payments to and on account of leavers

	2002-2003	2001-2002
	£000	£000
Refunds of contributions to members leaving service	90	132
Individual transfers to other schemes	15,335	14,938
Contribution Equivalent Premiums	47	75
	<u>15,472</u>	<u>15,145</u>

9. Administrative fees and expenses

All costs of administering the Scottish Teachers' Pension Scheme are borne by the Scottish Public Pensions Agency.

10. Reconciliation of net outgoings for the year to control total and net resource outturn.

	2002-2003	2001-2002
	£000	£000
Net outgoings (Schedule 2)	160,810	132,727
Add income scored as Income not Applied (Note 12)	Nil	20,967

Net Resource Outturn (Schedule 1)	<u>160,810</u>	<u>153,694</u>
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11. Creditors – amounts falling due within 12 months for pensions

	2002-03 £000	2001-02 £000
Benefits due	2,105	921
Tax due to Inland Revenue	<u>4,198</u>	<u>3,817</u>
	<u>6,303</u>	<u>4,738</u>

12. Creditors – amounts falling due within 12 months for Income not Applied

	2002-03 £000	2001-02 £000
Total Income (Schedule 2)	273,203	260,967
Less Income Applied (Schedule 1)	<u>273,203</u>	<u>240,000</u>
Income scored as Income not Applied (Note 10)	<u>Nil</u>	<u>20,967</u>

13. Movements in working capital, other than cash (see Schedules 1 and 4)

	2002-03 £000	2001-02 £000
Movement in debtors - pensions (Schedule 3)	(1,465)	(1,779)
Movement in creditors falling due within 12 months: pensions (Note 11)	<u>1,565</u>	<u>(728)</u>
Per Schedule 1	<u>100</u>	<u>(2,507)</u>

14. Additional Voluntary Contributions

The Scottish Teachers' Pension Scheme provides for teachers to make additional voluntary contributions (AVCs) to supplement their pension entitlements or life assurance cover. Teachers may arrange to have agreed sums deducted from their salaries, for onward payment to the approved provider, the Prudential. These AVCs are not brought to account in this Statement. Members participating in this arrangement each receive an annual statement made up to 31 March from the approved provider confirming the amounts held to their account and the movements in the year.

Teachers have a choice of eleven funds in which to invest and during the year £19,756,151 (2001-02: £19,856,098) was paid to Prudential of which £203,957 was in respect of the purchase of additional death benefits. The total amount Prudential had under management for the Teachers' AVC Scheme as at 31 March 2003 was £155,599,714 (2001-02: £137,226,447). A statement of the movements in each fund follows.

Prudential Financial Services

With Profit Cash Accumulation Fund

Value of fund at 1/4/02		£135,981,862.97
Revised value of fund	Adjustments*	£107,368.64
		£136,089,231.61
Income:	Contributions invested	£18,629,498.06
	Interest and bonuses	£6,346,328.30
	Switches in from other funds	£0.00
	Transfers in from other AVC arrangements	£691,910.22
	Transfers in relating to bonus histories	£58,960.97
Less		
Expenditure	Retirement benefits	£6,969,160.82
	Death - return of funds	£244,579.71
	Early leavers – withdrawals	£54,348.09
	Transfers out relating to bonus histories	£116,735.34
	Switches to other funds	£97,260.24
Value of fund at 31/3/03		£154,333,844.96

Cash Fund

Units brought forward at 1/4/02		5,179.04
Income:	Contributions invested	£1,816.29
	Switches in from other funds	£56,615.94
Less Expenditure:		£0.00
Total units purchased		31,682.72
Total units held at 31/03/03		36,861.76
Value of fund at 31/3/03		£69,189.53

Deposit Fund

Balance brought forward at 1/4/02		£1,297.38
	Adjustments*	£14,350.60
Revised value of fund		£15,647.98
Income	Contributions invested	£9,593.86
	Interest	£1,485.56
	Switches in from other funds	£29,540.14
	Transfers in from other AVC arrangements	£9,720.46
Less Expenditure		£0.00
Value of fund at 31/3/03		£65,988.00

Discretionary Fund

Units brought forward at 1/4/02		253,368.17
	Adjustments*	79.84
Revised total units at 1/4/02		253,448.01
Income:	Contributions invested	£45,849.28
	Transfers in from other AVC arrangements	£4,957.10
Units purchased this period		24,208.74
Less Expenditure:	Retirement benefits	£20,746.67
Units sold this period		10,555.13
Total units held at 31/3/03		267,101.62
Value of fund at 31/3/03		£525,388.88

UK Equity Fund

Units brought forward at 1/4/02		109,797.25
	Adjustments*	-48.18
Revised total units at 1/4/02		109,749.07
Income:	Contributions invested	£43,451.85
	Switches in from other funds	£4,345.93
Units purchased this period		21,328.72
Less Expenditure:	Retirement benefits	£9,402.18
	Early leavers - withdrawals	£8,453.27
Units sold this period		8,547.82
Total units held at 31/3/03		122,529.97
Value of fund at 31/3/03		£254,372.97

UK Equity Fund (Passive)

Units brought forward at 1/4/02		5,281.61
	Adjustments*	17,976.86
Revised total units at 1/4/02		23,258.47
Income:	Contributions invested	£8,489.99
	Switches in from other funds	£20,136.90
	Transfers in from other AVC arrangements	£30,932.23
Units purchased this period		88,532.73
Less Expenditure:	Switches to other funds	£13,965.70
Units sold this period		23,027.84
Total units held at 31/3/03		88,763.36
Value of fund at 31/3/03		£54,678.23

International Fund

Units brought forward at 1/4/02		131,891.69
	Adjustments*	-73.73
Revised total units at 1/4/02		131,817.96
Income:	Contributions invested	£37,061.48
Units purchased this period		25,601.25
Less Expenditure:	Retirement benefits	£12,771.80
Units sold this year		9,487.65
Total units held at 31/3/03		147,931.56
Value of fund at 31/3/03		£198,672.09

Fixed Interest Fund

Units brought forward at 1/4/02		3,461.15
Income:	Contributions invested	£2,288.94
Units purchased this period		823.08
Less Expenditure:	Switches to other funds	£557.70
Units sold this year		207.71
Total units held at 31/3/03		4,076.52
Value of fund at 31/3/03		£11,654.76

Index Linked Fund

Units brought forward at 1/4/02		8,754.61
Income:	Contributions invested	£7,786.13
Units purchased this period		3,294.01
Less Expenditure:		£0.00
Units sold this period		0.00
Total units held at 31/3/03		12,048.62
Value of fund at 31/3/03		£29,675.76

Retirement Protection Fund

Units brought forward at 1/4/02		8,307.85
Income:	Contributions invested	£2,223.55
	Switches in from other funds	£7,498.59
	Transfers in from other AVC arrangements	£13,408.26
Units purchased this period		12,264.87
Less Expenditure:	Switches to other funds	£7,778.63
Units sold this period		4,062.77
Total units held at 31/3/03		16,509.95
Value of fund at 31/3/03		£30,972.67

Socially Responsible Fund

Units brought forward at 1/4/02		4,405.93
	Adjustments*	18,672.55
Total units held at 1/4/02		23,078.48
Income:	Contributions invested	£9,576.60
	Transfers in from other AVC arrangements	£3,629.54
Units purchased this period		21,187.45
Less Expenditure:		£0.00
Units sold this period		0.00
Total units held at 31/3/03		44,265.93
Value of fund at 31/3/03		£25,275.85

*Adjustments are amendments relating to previous years.

15. Contingent liability

In the unlikely event of default by the approved AVC provider, the Scottish Ministers will guarantee pension payments. This guarantee does not apply to members who use their accumulated Prudential investment to purchase pension provision from a non-approved provider or to members who make payments to FSAVCs.

16. Related Party Transactions

The Scottish Teachers' Pension Scheme falls within the ambit of The Scottish Executive which is regarded as a related party. During the year, the Scheme has had material transactions with teachers' employers and Scottish Executive departments whose employees are members of the Scheme. None of the Managers of the Scheme, key managerial staff or other related parties has undertaken any material transactions with the Scheme during the year.

17. Post Balance Sheet Events

There are no material post balance sheet events.