

**Department of Health, Social Services  
and Public Safety**

**HSC Pension Scheme Resource Accounts  
For the year ended 31 March 2009**

*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*

*6 November 2009*

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**HSC Pension Scheme Resource Accounts**  
**For the year ended 31 March 2009**

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**REPORT OF THE SCHEME MANAGERS**  
**Accounts for the year ended 31 March 2009**

**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

**HSC Pension Scheme Accounts  
Year Ended 31 March 2009**

**Bankers:**

Northern Bank Limited  
Donegall Square West  
Belfast  
BT1 6JS

**Employers**

Principal employers:

Health and Social Care Boards  
Health and Social Care Trusts

Additional bodies permitted to join:

General Practitioners  
Staff employed by General Medical Practitioners  
Direction Bodies

**Changes to the Scheme**

Pensions were increased by 3.9% with effect from 07 April 2008. Employee contribution rates range from 5% to 8.5% from 01 April 2008. The rate payable is linked to the member's pensionable pay. Employer contribution rates increased to 15.7%.

**Post balance sheet events**

There are no post balance sheet events.

**HSC Pension Scheme Accounts  
Year Ended 31 March 2009**

**Membership statistics**

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

**Active members**

Active members at 1 April 2008	56,857
Retrospective Adjustment	363
add: New entrants in the year	2,916
Less: Leaving with deferred Rights	(4)
Retirements in the year	(890)
Transfers out	(5)
Refunds	(153)
Undecided Leavers	(3,792)
Deaths	(16)
<b>Active members at 31 March 2009</b>	<b><u>55,276</u></b>

**Deferred members**

Deferred members at 1 April 2008	12,477
Retrospective Adjustment	(776)
Add: Members leaving who have deferred pension rights	11
Less: Rejoining scheme	(5)
Transfers out	(74)
Members taking up deferred pension rights	(207)
Deaths	(2)
<b>Deferred members at 31 March 2009</b>	<b><u>11,424</u></b>

**Pensioners in payment**

	<b>Members</b>	<b>Dependants</b>	<b>Total</b>
Pensioners in payment at 1 April 2008	11,438	2,978	14,416
Retrospective Adjustment	296	119	415
Add: Members retiring in year at normal retiring age & voluntary early retirement	536	0	536
Members retiring in year, previously in receipt of compensation payments	27	0	27
New dependants	0	175	175
Retiring previously deferred	161	0	161
Less: Commuted pension	(23)	0	(23)
Deaths in year	(240)	(67)	(307)
<b>Pensioners in payment at 31 March 2009</b>	<b><u>12,195</u></b>	<b><u>3,205</u></b>	<b><u>15,400</u></b>

**HSC Pension Scheme Accounts**  
**Year Ended 31 March 2009**

**Compensation payments > 60**

Members in receipt of compensation payments at 1 April 2008	2,322
Retrospective Adjustment	(291)
Add: Members leaving under early retirement schemes during the year	22
Less: Members reaching normal retirement age during the year	(49)
Deaths before normal retirement age	51
<b>Members in receipt of compensation payments at 31 March 2009</b>	<b><u>2,055</u></b>

**Ill health retirement**

Ill health retirement members at 1 April 2008	7,982
Retrospective Adjustment	(46)
Add: Members retiring on ill health grounds	271
Less: Deaths in year	(75)
<b>Ill health members at 31 March 2009</b>	<b><u>8,132</u></b>

**Undecided Leavers**

Undecided leavers at 1 April 2008	7,451
Reclassification	3,049
Add: Undecided leavers	3,816
Less: Taking up benefits (tv-out, refund, defer)	(92)
Rejoining scheme	(136)
Retiring	(134)
Deaths	(4)
<b>Undecided leavers at 31 March 2009</b>	<b><u>13,950</u></b>

**Compensation payments**

Members in receipt of compensation payments at 1 April 2008	130
Reclassification	2
Add: Members leaving under early retirement schemes during the year	68
Less: Members reaching normal retirement age during the year	(27)
<b>Members in receipt of compensation payments at 31 March 2009</b>	<b><u>173</u></b>

**Financial commentary**

The movements in the Scheme during the year are summarised in the Revenue Account and net outgoings for the year are £552,736k.

Income mainly comprises contributions from employers (who are defined per page 3 above), of £235,084k and employee contributions of £98,048k. Other receipts include transfers in of £3,491k from other Schemes and other pension income of £37k 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 £400,000k, enhancements of £25,591k, transfers in £3,491k and interest on the scheme liabilities £460,000k. Payments include other pension expenditure of £314k per Note 14 to the accounts.

**Further information**

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

HSC Pension Branch  
Department of Health, Social Services and Public Safety  
Waterside House  
75 Duke Street  
Derry  
County Londonderry  
BT67 1FP

## REPORT OF THE ACTUARY

### Accounts for the year ended 31 March 2009

#### 1. Liabilities

The capitalised value as at 31 March 2009 of expected future benefit payments under the HSC Pension Scheme, for benefits accrued in respect of employment or former employment prior to 31 March 2009, has been assessed using the methodology and assumptions set out in Sections 3 and 4 below. The results are as follows:

<b>Value of Liabilities</b>	<b><u>£ billion</u></b>
Pensions in Payment	5.3
Deferred Pensions	0.5
Active Members (Past Service)	<u>2.7</u>
<b>Total</b>	<b><u>8.5</u></b>

#### 2. Accruing Costs

The cost of benefits accruing for each year of service is met partly by a specified contribution from members, with the balance of the cost of the benefits met by the employers. The total cost of benefits accruing in the year 2008/09 has been assessed, using the methodology and assumptions set out in Sections 3 and 4 below, as follows:

	<b><u>% of Pensionable Pay</u></b>
Current Service Cost	28.5%
Members' Average Contribution Rate	6.5%
Employer's share of Current Service Cost	22.0%
Actual rate charged to employers for current year	15.7%

The Current Service Cost disclosed in the scheme accounts was £0.4 billion. This was based on an estimated average payroll over the year of £1.39 billion.

#### 3. Methodology

The value of the liabilities has been obtained using the projected unit method with a one year control period, which allows for expected future pay increases in respect of active members. The liabilities and standard contribution rate include pension increases awarded since leaving service for pensioners and deferred pensioners, plus allowance for future pension increases for all categories of member.

4. **Assumptions**

The principal financial assumptions adopted for the calculation of the liabilities as at 31 March 2009 are an investment return in excess of price increases of 3.2% a year (most pension benefits under the scheme are increased in line with prices), and an investment return in excess of earnings increases of 1.7% a year.

The gross rate of return is assumed to be 6% a year, although this assumption has only a minor impact on the calculation of the liability. In nominal terms these assumptions are then equivalent to an allowance for increases in salaries of about 4.3% a year and an allowance for price inflation of 2.75% a year.

The demographic assumptions adopted for the assessments are derived from the specific experience of the membership of the scheme to 31 March 2004, and other similar large public service pension schemes where some aspect of the experience is not readily available. Allowance has been made for the expected impact of Agenda for Change where it has not been fully implemented, as advised by DHSS&PS.

The principal financial assumptions adopted for calculation of the Current Service Cost for the year ending 31 March 2009 are an investment return in excess of price increases of 2.5% a year and an investment return in excess of earnings increases of 1.0% a year.

5. **Notes**

- (1) Sections 1 and 2 of this statement are based on actuarial assessment carried out as at 31 March 2006 for the purposes of FRS 17 (Resource Accounting), with an approximate updating for the subsequent financial years to reflect known changes that have occurred between 1 April 2006 and 31 March 2009, based on the available data. The method assumes that the profile of the membership has remained stable within the period, which may not necessarily be the case, and so the results should be viewed as an indication of the order of magnitude of the liabilities rather than a full actuarial assessment.
- (2) The actual rate charged to employers for 2008/09 of 15.7% of pensionable pay follows the recommendations made following the decision that the employers of the scheme should assume liability for all pension increases. The funding rate recommended at the valuation of the scheme as at 31 March 2004 is expected to be implemented with effect from 1 April 2010.
- (3) The pension benefits taken into account in this assessment are those normally provided from the rules of the Scheme, including normal retirement benefits, ill-health retirement benefits, and benefits applicable following the death of the member. The assessments include the cost of premature retirement benefits awarded on redundancy and exclude the cost of injury benefits.



**D J Hughes FIA**  
**Government Actuary's Department**

**24 September 2009**

## 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**

### **Scope of responsibility**

This statement is given in respect of the HSC Pension Scheme Resource Account for 2008-09. 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. I am also Principal Accounting Officer for the Health Estates Agency which, from 1 April 2009, has been subsumed with the core Department.

### **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 only 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 2009 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 2008-09 risk management arrangements continued to be operated across the Department, its arm's length bodies and the Health Estates Agency. The risk management strategy, based on the Australia/New Zealand standard, 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.

Within the Department, the overall system of internal control is overseen by 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 had a Corporate Risk Register (CRR) and a Departmental risk management strategy in place since March 2003. The CRR 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 2008-09, reviews of risk registers across all business areas have been conducted in line with Departmental guidance. Work continued with directorates and other bodies on the embedding of risk management, building on work already done. During 2008-09 the CRR was subject to fundamental reappraisal to confirm that it adequately identified and addressed the key risks to the Department's principal business objectives.

The key identified risks 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 near completion. 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.

### **Management of information risk**

The Department's Records Management arrangements are underpinned by a Records Management Policy Statement. Appropriate guidance, central controls and a 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. This risk has been included within the significant internal control issues below. 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.

The Departmental Audit & Risk Committee is a sub-committee of the Departmental Board, and was reconstituted in 2007 in accordance with best practice. As of April 2008, the Committee comprised three members, each of whom is independent of Departmental management.

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

The Committee provides 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 Arms 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 RQIA. The Committee advises the Board and the Accounting Officer on its conclusions and recommendations,

The Departmental Board has a key role in the effective corporate governance of the Department's business and monitors closely the 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.

The Department has an internal audit service which operates to defined standards and whose work is informed by an analysis of the risks to which the body is exposed, and annual audit plans are based on this analysis. 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.

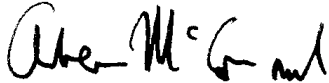
A robust monitoring process ensures that the Departmental Audit and Risk Committee bi-annually review progress on outstanding internal audit recommendations which are recorded in a database of recommendations. There has been a very good response to audit work completed over the past couple of years with only three audit recommendations not yet fully implemented.

### **Significant Internal Control Problems**

Internal Audit has been advised by Superannuation Branch that a revised method of calculation of death gratuities resulting from a change in the interpretation of regulations has resulted in an overpayment in a case selected for audit review. This is a systemic issue which may affect other cases. For this reason, the Department's Head of Internal Audit has provided limited assurance. Superannuation Branch has advised Internal Audit that they have contacted health service pension providers in England, Wales and Scotland to determine a consistent approach to calculating these payments. Superannuation Branch has also advised that future payments will be calculated in accordance with the new interpretation.

**Account NI**

DFP Internal Audit has provided an overall satisfactory level of assurance with regards to Account NI. However, an unacceptable level of assurance was given for Procure to Pay Data Retention, and a limited level of assurance was provided on i-Procurement and Accounts Payable. Account NI has responded favourably to all recommendations made by Internal Audit and, where possible, has implemented these. Residual recommendations will be addressed in the 2009-10 financial year and Internal Audit will follow-up on all audit recommendations made.



**Dr Andrew McCormick  
Accounting Officer  
16 October 2009**

## **THE CERTIFICATE 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 2009 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Revenue Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement 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**

The Accounting Officer is responsible for preparing the Report of the Scheme Managers and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and the Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report whether 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.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with the Department of Finance and Personnel's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information which comprises the Report of the Scheme Managers and the Report of the Actuary and any other information published with the account, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinions**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most 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 error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the scheme's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net outgoings, recognised gains and losses and cashflows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001.

### **Audit Opinion 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.

### **Report**

I have no observations to make on these financial statements.



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

**27 October 2009**

HSC Pension Scheme Accounts  
Year Ended 31 March 2009

HSC PENSION SCHEME  
STATEMENT OF PARLIAMENTARY SUPPLY 2008-09

Summary of Resource Outturn 2008-09

	Note	Estimate			2008-09 Outturn			Net total outturn compared with Estimate: saving or (excess) £000	2007-08  Prior Year Outturn £000
		Gross Expenditure £000	Accruing Resources £000	Net Total £000	Gross Expenditure £000	Accruing Resources £000	Net Total £000		
<b>Request for Resources A:</b> Providing a superannuation scheme for persons employed in the health and personal social services									
Annually Managed Expenditure		1,193,857	294,294	899,563	889,396	294,294	595,102	304,461	408,384
<b>Total resources</b>	<b>3</b>	<b>1,193,857</b>	<b>294,294</b>	<b>899,563</b>	<b>889,396</b>	<b>294,294</b>	<b>595,102</b>	<b>304,461</b>	<b>408,384</b>

Summary of Net Cash Requirement 2008-09

	Note	2008-09		Net total outturn compared with Estimate: saving or (excess) £000	2007-08  Prior Year Outturn £000
		Estimate	Outturn £000		
Net Cash Requirement	4	0	0	0	5,112

**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):

	Note	2008-09 Forecast		2008-09 Outturn	
		Income £000	Receipts £000	Income £000	Receipts £000
Total	5	-	-	<b>108,326</b>	<i>86,365</i>

Income Excess AR is £108,325,556.69. Cash Excess AR is £86,364,438.32. 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 and the 2004 valuation. Outturn was based on the 2006 valuation and was less than anticipated.

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

**(1) Changes in working capital other than cash £14,244k**

Based on the historical information this figure was estimated at £10m. As it transpired, outturn was less than anticipated.

**(2) New provisions and adjustments to previous provisions £(304,775k)**

The estimate was based on actuarial advice at the time and the 2004 valuation. Outturn was based on the 2006 valuation and was less than anticipated.

The notes on pages 21 to 41 form part of these financial statements.

**HSC PENSION SCHEME  
REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009**

	Note	2008-09 £000	2007-08 £000
<b>Income</b>			
Contributions receivable	7	333,132	189,834
Transfers in	8	3,491	7,361
Other income	9	37	80
		<hr/> 336,660	<hr/> 197,275
<b>Outgoings</b>			
Pension cost	10	400,000	150,000
Enhancements	11	25,591	14,301
Transfers in	12	3,491	7,361
Interest on scheme liabilities	13	460,000	430,000
Other expenditure	14	314	1,066
		<hr/> 889,396	<hr/> 602,728
<b>Net Outgoings for the Year</b>		<hr/> <b>552,736</b>	<hr/> <b>405,453</b>

**STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2009**

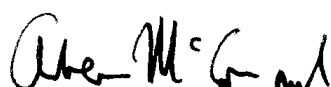
		2008-09 £000	2007-08 £000
Actuarial gain	19.4	780,000	1,270,000
<b>Recognised gains for the financial year</b>		<hr/> <b>780,000</b>	<hr/> <b>1,270,000</b>

The notes on pages 21 to 41 form part of these financial statements.

**HSC PENSION SCHEME  
BALANCE SHEET AS AT 31 MARCH 2009**

	Note	2008-09 £000	2007-08 £000
<b>Current Assets</b>			
Debtors	16	40,427	21,620
Cash at bank and in hand	22	82,916	-
		123,343	21,620
<b>Creditors: Amounts falling due within one year</b>	17	(121,302)	(15,336)
<b>Net Current Assets, excluding pension liability</b>		2,041	6,284
Pension liability	19.1	(8,450,559)	(8,573,741)
<b>Net (Liabilities), including pension liabilities</b>		<b>(8,448,518)</b>	<b>(8,567,457)</b>
<b>Taxpayers Equity:</b>			
General Fund	20	(8,448,518)	(8,567,457)
		<b>(8,448,518)</b>	<b>(8,567,457)</b>

The notes on pages 21 to 41 form part of these financial statements.



**Dr Andrew McCormick**  
**Accounting Officer**  
**16 October 2009**

**HSC PENSION SCHEME  
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009**

	<b>Note</b>	<b>2008-09 £000</b>	<b>2007-08 £000</b>
<b>Net cash inflow/(outflow) from operating activities</b>	21a	<b>82,931</b>	(12,984)
<b>Payments of amounts due to the Consolidated Fund</b>		<b>(15)</b>	(1)
<b>Financing</b>	21b	-	12,985
<b>Increase in cash in the period</b>	21c	<b>82,916</b>	-

The notes on pages 21 to 41 form part of these financial statements.

## NOTES TO THE ACCOUNTS

### Accounts for the year ended 31 March 2009

#### 1. Basis of preparation of the Scheme statement

The Scheme statement has been prepared in accordance with the relevant provisions of the 2008-09 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel, which reflect the requirements of Financial Reporting Standard (FRS) 17 *Retirement Benefits*. 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 UK 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 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 UK generally accepted accounting practice for companies (UK 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 2008, being 2.5% real rate (i.e. 5.3% 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 2008, being 2.5% real rate (i.e. 5.3% 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 2008, being 2.5% real rate (i.e. 5.3% including inflation).

## **2.9 Other payments**

Other payments are accounted for on an accruals basis.

Contributions Equivalent Premium 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 accrued benefit method and is discounted at the rate applicable at the close of 31 March 2009, being 3.2% real rate (i.e. 6 % including inflation).

As per the requirements of FRS 17, as amended by *FReM*, full actuarial valuations by a professionally qualified actuary are required at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the balance sheet date, in this case the 2006 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 Department of Health, Social Services and Public Safety.

**3. Reconciliation of Estimates, accounts and budgets**

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

	<b>Note</b>	<b>Outturn £000</b>	<b>Supply estimate £000</b>	<b>2008-09 Outturn compared with estimate £000</b>	<b>2007-08 Outturn £000</b>
Net Resource Outturn		595,102	899,563	304,461	408,384
Non-supply income (CFERs)	5	(42,366)	-	42,366	(2,931)
<b>Net Outgoings</b>		<b>552,736</b>	<b>899,563</b>	<b>346,827</b>	<b>405,453</b>

#### 4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving or (excess) £000
<b>Net Resource Outturn</b>	3(a)	<b>899,563</b>	<b>595,102</b>	<b>304,461</b>
<b>Accruals adjustments:</b>				
Changes in working capital other than cash	4(a)	10,000	(4,244)	14,244
Use of provisions	19.1	215,413	232,264	(16,851)
New provisions and adjustments to previous provisions	19.1	(1,193,857)	(889,082)	(304,775)
Excess cash receipts surrenderable to the CF		68,881	65,960	2,921
<b>Net Cash Requirement</b>		<b>-</b>	<b>-</b>	<b>-</b>

#### 4(a) Movements in Working Capital other than Cash

	Note	2008-09 £000	2007-08 £000
(Increase) in debtors related to supply	16(a)	(18,699)	(5,047)
(Increase) in debtors not related to supply	16(a)	(108)	(121)
(Decrease) in creditors falling due within 1 year	17(a)	(2,344)	(4,585)
Movement in Working Capital	21(a)	(21,151)	(9,753)
Movement in interdepartmental balance with DHSSPS	18	3,434	7,872
Adjustment for CFERs included in debtors		21,961	2,931
<b>Movement in Working Capital</b>	<b>4</b>	<b>4,244</b>	<b>1,050</b>

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

	2008-09 Forecast		2008-09 Outturn	
	Income £000	Receipts £000	Income £000	Receipts £000
Operating income and receipts – excess accruing resources	-	-	42,353	20,392
Other operating income and receipts not classified as accruing resources	-	-	13	13
Operating income and receipts surrenderable to the CF	-	-	42,366	20,405
Excess cash surrenderable to the CF	-	-	65,960	65,960
<b>Total</b>	<b>-</b>	<b>-</b>	<b>108,326</b>	<b>86,365</b>

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

	2008-09 £000	2007-08 £000
Operating income	336,660	197,275
Income authorised to be Accruing Resources	(294,294)	(194,344)
<b>Operating income payable to the Consolidated Fund</b>	<b>42,366</b>	<b>2,931</b>

**7. Pension contributions receivable**

	2008-09 £000	2007-08 £000
Employers	235,084	106,399
Employees	98,048	83,435
	<b>333,132</b>	<b>189,834</b>

**8. Pension Transfers in (see also note 12)**

	2008-09 £000	2007-08 £000
Individual transfers in from other schemes	3,491	7,361
	<b>3,491</b>	<b>7,361</b>

**9. Other pension income**

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Contributions Equivalent Premium reclaimed	1	6
Refund of superannuation payments	35	72
Other	1	2
	<b>37</b>	<b>80</b>

**10. Pension cost**

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Current service cost	400,000	470,000
Past service cost	-	(320,000)
	<b>400,000</b>	<b>150,000</b>

**11. Enhancements (see also note 19.1)**

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Employees:		
Purchase of added years	8,041	2,637
Employers:		
Pre-funded compensation payments	17,550	11,664
	<b>25,591</b>	<b>14,301</b>

**12. Transfers in (see also note 8)**

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Individual transfers in from other schemes	3,491	7,361
	<b>3,491</b>	<b>7,361</b>

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)**

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Interest charge for the year	460,000	430,000
	<b>460,000</b>	<b>430,000</b>

**14. Other pension expenditure**

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Contributions Equivalent Premium	270	424
Contribution refund	44	642
	<b>314</b>	<b>1,066</b>

**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:

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Balance at 1 April	2,118	2,185
New investments (net of transfers / refunds)	92	39
Sales of investments to provide pension benefits	(94)	(99)
Changes in market value of investments	(190)	(7)
	<hr/>	<hr/>
<b>Balance at 31 March</b>	<b>1,926</b>	<b>2,118</b>
	<hr/>	<hr/>

Scheme number WP111

Movements in the year were as follows:

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Balance at 1 April	2,497	2,466
New investments (net of transfers / refunds)	(13)	(8)
Sales of investments to provide pension benefits	(29)	(26)
Changes in market value of investments	(60)	65
	<hr/>	<hr/>
<b>Balance at 31 March</b>	<b>2,395</b>	<b>2,497</b>
	<hr/>	<hr/>

**Standard Life**

Movements in the year were as follows:

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Balance at 1 April	3,720	3,948
New investments (net of transfers / refunds)	78	138
Sales of investments to provide pension benefits	(318)	(152)
Changes in market value of investments	(647)	(214)
	<hr/>	<hr/>
<b>Balance at 31 March</b>	<b>2,833</b>	<b>3,720</b>
	<hr/>	<hr/>

**16. Debtors – contributions due in respect of pensions**

**16 (a) Analysis by type**

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
Pension contributions due	24,892	16,323
Capitalised cost of enhancement to pensions payable on departure	14,885	4,793
Overpaid pensions	154	100
Other debtors	5	21
Subtotal	<u>39,936</u>	<u>21,237</u>
Non-supply debtors:		
Injury benefit	491	383
	<u><b>40,427</b></u>	<u><b>21,620</b></u>

Included in pension contributions due is £24,892k (2007/08 £2,931k) that will be due to the Consolidated Fund once the debts are collected.

**16 (b). Intra-government balances**

	<b>Amounts falling due within one year 2008-09 £000</b>	Amounts falling due within one year 2007-08 £000
Balances with other central government bodies	4,085	4,155
Balances with HSC Trusts	36,004	17,095
Balances with bodies external to government	338	370
<b>At 31 March</b>	<u><b>40,427</b></u>	<u><b>21,620</b></u>

**17. Creditors – in respect of pensions**

**17 (a) Analysis by type**

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
Pensions	3,529	3,125
Inland Revenue	2,193	2,054
Other creditors	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	114,357	6,047
	<u>121,302</u>	<u>15,336</u>

**17 (b). Intra-government balances**

	<b>Amounts falling due within one year 2008-09 £000</b>	Amounts falling due within one year 2007-08 £000
Balances with other central government bodies	117,225	12,210
Balances with bodies external to government	4,077	3,126
<b>At 31 March</b>	<u><b>121,302</b></u>	<u><b>15,336</b></u>

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

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Net cash requirement (Summary of Resource Outturn)	-	5,112
Surplus carried over from the previous year	(3,116)	4,757
Cash drawn down during the year	-	(12,985)
	<hr/>	<hr/>
Due (to) from Consolidated Fund at year end	(3,116)	(3,116)
Excess ARs payable to the Consolidated Fund	(45,282)	(2,931)
Excess cash receipts surrenderable to the Consolidated Fund	(65,960)	-
	<hr/>	<hr/>
	<b>(114,358)</b>	<b>(6,047)</b>
	<hr/>	<hr/>
	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Cash at bank and in hand	82,916	-
Balance due (to) the Department of Health, Social Services and Public Safety	(675)	(4,109)
Consolidated Fund Extra Receipts included in Debtors	24,892	2,931
Excess net cash requirement	7,225	7,225
	<hr/>	<hr/>
	<b>114,358</b>	<b>6,047</b>
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## 19. Provision for pension liability

The HSC Pension Scheme is an unfunded defined benefit scheme. A full actuarial valuation was carried out as at 31 March 2006 and has been updated to 31 March 2009 by the Government Actuary.

The major assumptions used by the Actuary were:

	<b>31 March 2009</b>	31 March 2008	31 March 2007
Rate of investment return net of salary increases	<b>1.7%</b>	1.0%	0.3%
Rate of investment return net of price increases	<b>3.2%</b>	2.5%	1.8%

The scheme managers/trustees are responsible for providing the Actuary with the information the Actuary needs to carry out the valuation. This information includes, but is not limited to, details of:

- o scheme membership, including age and gender profile, 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.

Pension scheme liabilities accrue over employee's 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 balance sheet 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, then the value of the pension scheme liability will decrease (other things being equal). Conversely, if the assumed rates are increased, 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

	Note	2008-09		2007-08	
		£000	£000	£000	£000
Scheme liability at 1 April			8,573,741		9,441,519
Current service cost	10	400,000		470,000	
Past service cost	10	-		(320,000)	
Interest on pension scheme liability	13	460,000		430,000	
			860,000		580,000
Enhancements	11	25,591		14,301	
Pension transfers in	8	3,491		7,361	
			29,082		21,662
Benefits payable	19.2	(227,121)		(195,316)	
Pension payments to and on account of leavers	19.3	(5,143)		(4,124)	
			(232,264)		(199,440)
Actuarial gain	19.4		(780,000)		(1,270,000)
<b>Scheme liability at 31 March</b>			<b>8,450,559</b>		<b>8,573,741</b>

During the year ended 31 March 2009, employer contributions represented an average of 15.7% of pensionable pay.

### 19.2 Analysis of benefits payable

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

### 19.3 Analysis of payments to and on account of leavers

	<b>2008-09</b> <b>£000</b>	2007-08 £000
Individual transfers to other schemes	5,143	4,124
<b>Per cash flow statement</b>	<b>5,143</b>	<b>4,124</b>

### 19.4 Analysis of actuarial gain/(loss)

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

### 19.5 History of Experience gains/(losses)

	<b>2008-09</b>	2007-08	2006-07
Experience (losses)/gains on scheme liabilities:			
Amount (£000)	(290,000)	500,000	120,000
% of the present value of the scheme liabilities	-3.4%	5.8%	1.3%
Total actuarial gain/(loss):			
Amount (£000)	780,000	1,270,000	(1,640,000)
% of the present value of the scheme liabilities	9.2%	14.8%	-17.4%

## 19.6 Sensitivity of Results

The Government Actuary has been asked to indicate the approximate effects on the actuarial liability as at 31 March 2009 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:

<b>Change in assumption</b>	<b>Approximate % change in the liability</b>	<b>Approximate increase / decrease to the liability</b>
Increase / decrease in the rate of return in excess of salaries of ½% per annum, holding all other assumptions constant	Increase / decrease of 6% for active members	£300 million
Increase / decrease in the rate of return in excess of prices of ½% per annum, holding all other assumptions constant	Increase / decrease of 6% for all members	£400 million
Assumed longevity increased by rating the tables assumed down by 2 years	Increase of 3% for all members	£200 million
Assumed ill-health retirement assumptions increased by 20% at all ages	Increase 1% for active members	£100 million

## 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 2009.

<b>Age</b>	<b>Average no of years current pensioners expected to live after retiring at age:</b>	
	<b>Men</b>	<b>Women</b>
55	31.2	33.2
60	25.5	28.5
65	20.9	23.8

<b>Age</b>	<b>Average no of years future pensioners expected to live after retiring at age:</b>	
	<b>Men</b>	<b>Women</b>
55	31.9	34.8
60	27.1	30.0
65	22.3	25.2

## 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	2008-09 £000	2007-08 £000
Balance at 1 April		(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		(552,736)	(405,453)
CFERs repayable to consolidated fund	5	(108,325)	(2,931)
Actuarial gains (SRGL)		780,000	1,270,000
<b>Balance at 31 March</b>		<b>(8,448,518)</b>	<b>(8,567,457)</b>

## Notes to the Cash Flow Statement

### 21 (a) Reconciliation of Net Outgoings to operating cash flows

		2008-09 £000	2007-08 £000
Net outgoings for the year		(552,736)	(405,453)
(Increase) in debtors related to supply		(18,699)	(5,047)
(Increase) in debtors not related to supply		(108)	(121)
(Decrease) in creditors		(2,344)	(4,585)
Increase in pension provision	19.1	860,000	580,000
Increase in pension provisions – enhancements and transfers in	19.1	29,082	21,662
Use of provisions – pension liability	19.2	(227,121)	(195,316)
Use of provisions – refunds and transfers	19.3	(5,143)	(4,124)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>82,931</b>	<b>(12,984)</b>

**21 (b) Analysis of financing and reconciliation to the net cash requirement**

	Note	2008-09 £000	2007-08 £000
From Consolidated Fund (Supply) – prior year	18	-	4,757
From Consolidated Fund (Supply) – current year	18	-	8,228
<b>Adjustment for payments and receipts not related to supply</b>			
Amounts due to the Consolidated Fund - received in a prior year and paid over in the current year		-	(1)
Movement in interdepartmental balance with the Department of Health, Social Services and Public Safety	18	-	(7,872)
<b>Net Cash Requirement per Statement of Parliamentary Supply</b>		<u>-</u>	<u>5,112</u>

**21 (c) Reconciliation of Net Cash Requirement to increase in cash**

	2008-09 £000	2007-08 £000
Net cash requirement	-	(5,112)
From Consolidated Fund (Supply) – prior year	-	4,757
From Consolidated Fund (Supply) – current year	-	8,228
Amounts due to the Consolidated Fund - received in a prior year and paid over in the current year	-	(1)
Amounts due to the Consolidated Fund – received and not paid over	45,282	-
Amounts due to the Consolidated Fund – not yet received	(24,892)	-
Excess cash receipts surrenderable to the Consolidated Fund	65,960	-
Movement in interdepartmental balance with the Department of Health, Social Services and Public Safety	(3,434)	(7,872)
<b>Increase in cash</b>	<u>82,916</u>	<u>-</u>

## 22. Cash at Bank and in Hand

	<b>2008-09</b> <b>£000</b>	2007-08 £000
Balance at 1 April	-	-
Net change in cash balances	82,916	-
Balance at 31 March	<u><b>82,916</b></u>	<u>-</u>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	82,916	-
Balance at 31 March	<u><b>82,916</b></u>	<u>-</u>

## 23. 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.

## 24. Contingent liabilities and assets

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 22 have been accepted by the claimants. We await reply on the remaining 3 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

## 25. Losses and Special Payments

### 25(a) Losses Statement

	2008-09 No of cases	2008-09 £000	2007-08 £000
<b>Total</b>	<b>414</b>	<b>159</b>	36

### 25(b) Special Payments

	2008-09 No of cases	2008-09 £000	2007-08 £000
<b>Total</b>	<b>28</b>	<b>104</b>	41

## 26. 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.