



Teachers' Superannuation Order 2011

Public Sector Pensions Authority
Annual Report and Accounts
for year ending 31 March 2014



**Isle of Man
Government**

Reillys Ellan Vannin

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1. Introduction

- 1.1. In accordance with the Public Sector Pensions Act 2011 (the 'Act'), the Public Sector Pensions Authority ('PSPA') was established as the Statutory Body responsible for the administration and management of the majority of public sector pension schemes (the 'schemes') as defined in the Act. The PSPA is a Statutory Board and thereby functions under the Statutory Boards Act 1987.
- 1.2. Prior to the establishment of the PSPA on the 17 January 2012, the Pensions Division of the Office of Human Resources was responsible for the administration of these schemes. The Civil Service Commission was responsible for the management of the majority of these schemes with the Department of Education and Children responsible for this Scheme.
- 1.3. In accordance with Section 5 (3) of the Act the PSPA's Members were appointed by the Council of Ministers. The Members comprise of a legally qualified Chair, who is independent of employer and employee interests, two Members representing the interests of employers, one being the Chair of the Civil Service Commission who is also the Vice-Chair of the PSPA. Two further Members represent the interests of employees, one being nominated by the Isle of Man Trades Council and the other by any other Isle of Man trade union body representing the interests of public sector employees.
- 1.4. The PSPA operates in a similar way to a corporate trustee for a private sector pension scheme, with the PSPA Members representing the interests of all the schemes' beneficiaries and not solely the interests of the body or union that nominated them. However, the PSPA is not constituted as a trustee body.
- 1.5. Under the Act, the PSPA is responsible for ensuring that the schemes are properly maintained and administered. The PSPA Members meet on a regular basis to consider management and administrative matters, delegating the day to day management and administration to the officers of the PSPA.
- 1.6. Under the Act the functions of the PSPA include:
 - Administering and managing the majority of the public sector pension schemes established on the Island;
 - Acting as a policy adviser to the Council of Ministers on the superannuation of public sector employees;
 - Making and amending public sector superannuation schemes, subject to Tynwald approval; and
 - Preparing annual accounts hereafter referred to as financial statements, relating to those schemes it administers and manages.
- 1.7. The Isle of Man Treasury provides the PSPA with finance and payroll services. In practice, the PSPA coordinates and administers the calculation and set up of expenditure and monitors income, whilst the Treasury makes payments and receives funds from contributions and transfers to the schemes.

PSPA's Mission Statement

- 1.8. To deliver high quality pension and other superannuation benefit services, which are customer focused and cost effective for all stakeholders.

PSPA's Management and Administration Costs

- 1.9. In accordance with Section 9 (3) (c) of the Act, the cost for the management and administration of the schemes must be paid by the PSPA out of monies provided by Tynwald or from such other sources of funding as is approved by Tynwald. These costs are not reflected in the annual report and financial statements of the individual schemes.

2. Public Sector Pensions Authority and Advisers

Mr J Carter, LLB Chair (Independent) 17 January 2012 to present

PSPA Members representing the interests of Employers

Hon C Robertshaw, MHK Vice Chair 1 April 2014 to present

Mr T Wild, MLC 1 April 2014 to present

Members who served on the PSPA prior to Mr Robertshaw and Mr Wild

Mr A Cannan, MHK 17 January 2012 to 31 March 2014

Mr L Singer, MHK 16 July 2012 to 7 May 2013

Mr J Turner, MLC 7 May 2013 to 31 March 2014

PSPA Members representing the interests of Employees

Mr K Flint 18 September 2014 to present

Mr E Holmes 17 January 2012 to present

Members who served on the PSPA prior to Mr Flint

Mr A Shipley 17 January 2012 to 31 August 2014

Scheme Management and Administration

Public Sector Pensions Authority

Goldie House

1-4 Goldie Terrace

Douglas

Isle of Man IM1 1EB

Financial and Payroll Services

Treasury

Bucks Road

Douglas

Isle of Man IM1 3PZ

Scheme Actuary

Hymans Robertson LLP

20 Waterloo Street

Glasgow G2 6DB

Independent Auditor

PricewaterhouseCoopers LLC

Third Floor

Sixty Circular Road

Douglas

Isle of Man IM1 1SA

Bankers (Via Treasury)

Isle of Man Bank Limited

2 Athol Street

Douglas

Isle of Man IM99 1AN

3. Public Sector Pensions Authority's Report

- 3.1. The Teachers' Superannuation Order 2011 (the 'Scheme') is a public sector pension scheme which commenced on 1 January 2011.
- 3.2. The Scheme is an unfunded, contributory, voluntary membership, defined benefit scheme which provides retirement, death and dependants' benefits for qualifying members.

The Rules Affecting the Scheme

- 3.3. The Rules governing the management and administration of the Scheme, are the Teachers' Superannuation Order 2011 which replaced the Teachers' Superannuation Order 2007. The Scheme makes provision for the applied regulations to have retrospective effect in accordance with the Superannuation Act 1984.
- 3.4. The Scheme now operates under the Public Sector Pensions Act 2011, which has superseded the Superannuation Act 1984.

Analogous to the United Kingdom Teachers' Pensions Regulations 2010 ('UK Scheme')

- 3.5. The Scheme is analogous to the UK Scheme. However, changes to the UK Scheme only apply in the Isle of Man if the PSPA agrees with the proposed change and consultation has taken place with affected members, their representatives, Treasury, relevant Departments and Boards prior to approval being sought from Tynwald for the Scheme amendment.

Sponsoring Employers

- 3.6. At 31 March 2014, Scheme members were employed by the following sponsoring employers:-
 - Autism Initiatives;
 - Department of Community, Culture and Leisure;
 - Department of Education and Children; and
 - King William's College.

Information about the Scheme

- 3.7. Information about the Scheme is provided in a "member guide", on the PSPA website at <http://www.pspa.im>

Benefits of the Scheme

- 3.8. Benefits under the Scheme, including pensions and lump sums are calculated using final pensionable pay and length of pensionable service.
- 3.9. Further information about the Scheme's benefits are contained in the member guide on the website, which addresses matters such as early retirement, protection for members' families and lump sums.

Approved Changes to the Scheme since 1 April 2013

The Teachers' Pensions (Amendment) Regulations 2013 (Parliament)

- 3.10. The Teachers' Pensions (Amendment) Order 2012, which was approved at the January 2013 sitting of Tynwald, included provision for any future contribution changes made in respect of the Teachers' Pension Scheme in the United Kingdom, up to and including 31 March 2015, to be automatically applied to the equivalent Scheme in the Isle of Man.
- 3.11. The Teachers' Pensions (Amendment) Regulations 2013 came into force in the UK on 1 April 2013, and therefore took effect in the Isle of Man Scheme on the same date.
- 3.12. For Scheme members with an annual contributable salary of £26,000 or higher, contribution increases ranging from 0.6% to 2.4% took effect from 1 April 2013.
- 3.13. The Teachers' Pensions (Amendment) Regulations 2014 (Parliament) came into force on 1 April 2014 and increased the contributions payable by scheme members. Contribution increases were applied on the Island on the same day and ranged from 0.0% to 1.2% dependent on 8 salary bands. Contribution rates for teachers now vary from 6.4% for those earning below £14,999, to 12.4% for those earning £100,000 and above.

Public Sector Pensions Administration (Fees) Order 2014

- 3.14. This Order applies across all the schemes administered by the Public Sector Pensions Authority and introduced a charge for the administration associated with implementing Pension Sharing and Earmarking Orders and the provision of transfer information on Divorce and the Dissolution of Civil Partnerships and the provision of multiple, hypothetical and ad hoc estimates for pension benefits and transfer values.
- 3.15. The Order was approved at the April 2014 sitting of Tynwald.

Teachers' Compensation Scheme 2014

- 3.16. This Scheme aligns the compensation for redundancy provisions for Teachers and other individuals employed by the Department of Education and Children and who are members of, or eligible to be members of, the Teachers' Superannuation Order 2011 with those in place for the majority of other Isle of Man Public Sector Employees.
- 3.17. The Scheme firstly amends the legislation which applies to the Island the provisions of the English and Welsh Teachers Pensions Regulations and Teachers (Compensation for Redundancy and Premature Retirement) Regulations. Secondly, it amends the Public Sector Compensation Scheme 2013 to make those redundancy provisions available to Teachers and other related staff employed by the Department of Education and Children. The Order was approved at the October 2014 sitting of Tynwald.

Forthcoming Changes

- 3.18. The UK Government announced on the 29 August 2012, that following extensive negotiations with trade unions, there is sufficient support to proceed with implementation of the Proposed Final Agreements from April 2015 covering reform of public service pension schemes, including the UK Scheme. It is likely that the PSPA will continue to mirror the UK Scheme by applying these reforms, once introduced in the UK, to the Isle of Man Scheme.

Employer Contributions

- 3.19. Based upon the actuarial statement the Employer's contributions rate is 17.1%. The current rate of contributions paid by Employers is 14.1% of pensionable pay, other than the Department of Education and Children which makes no employer contributions.

Member Contributions

- 3.20. The Member contribution rates and increases are shown in the table below:-

Annual Contributable Salary	Prior to 1 November 2012	1 November 2012	1 April 2013	1 April 2014
Below £15,000	6.4%	6.4%	6.4%	6.4%
£15,000 to £25,999	6.4%	7.0%	7.0%	7.2%
£26,000 to £31,999	6.4%	7.3%	7.9%	8.3%
£32,000 to £39,999	6.4%	7.6%	8.8%	9.5%
£40,000 to £44,999	6.4%	8.0%	9.2%	9.9%
£45,000 to £74,999	6.4%	8.0%	10.1%	11.0%
£75,000 to £99,999	6.4%	8.4%	10.6%	11.6%
£100,000 to £111,999	6.4%	8.4%	11.2%	12.4%
£112,000 and above	6.4%	8.8%	11.2%	12.4%

Member Contributions - Additional Voluntary Contributions

- 3.21. Scheme members may increase their retirement benefits by the payment of Additional Voluntary Contributions ('AVC') in the following ways:
- Paying AVCs into a Group Personal Pension arrangement with Aviva Life UK Services Limited;
 - Paying AVCs into with-profits contracts with Aviva Life UK Services Limited and Prudential Pensions Limited; and
 - Paying AVCs into the Scheme by purchasing added pension.
- 3.22. The purchase of added years is no longer available to members of the Scheme. Members with existing added years contracts continue to be paid at the individually agreed rates.

Annual Pension Increase

- 3.23. Pension increases are made in accordance with the Pensions (Increase) Act 1974, by way of the Isle of Man Treasury's Pensions Increase (Annual Review) Order. The Order is made under Section 59 of The Social Security Pensions Act 1975, as it has effect in the Isle of Man, which requires the Isle of Man Treasury to increase the annual rate of an "official pension" by the same percentage as it is raised by the Secretary of State for Work and Pensions in the United Kingdom.
- 3.24. Pension increases are linked to those for additional state pension, such as the State Second Pension, and any up rating takes into account the rate of UK inflation over the previous year to September.
- 3.25. The pension increase at 8 April 2013 was in line with the UK's Consumer Prices Index for the 12 months to September 2012 at 2.2%. The Scheme's pensioner members have received this increase.

Membership Information

- 3.26. Details of the membership of the Scheme are as follows:-

	31 March 2014	31 March 2013
Active members	1,202	1,147
Deferred Members with Preserved Benefits	369	338
Pensioners	936	893
Total membership	2,507	2,378

Movements within the Scheme's Active Membership during the Year

Active membership	2013/14	2012/13
Active membership at 1 April	1,147	1,144
Additions		
New members joining	81	57
Late Notification/data alteration/Misc correction	37	12
Reductions		
Retirements	(34)	(42)
Members leaving entitled to contribution refund	(3)	(4)
Leavers with deferred benefits	(26)	(20)
Active membership at 31 March	1,202	1,147

Movements within the Scheme's Deferred Membership during the Year

Deferred membership	2013/14	2012/13
Deferred membership at 1 April	338	331
Additions		
Leavers with deferred benefits	26	20
Late notifications/data alteration/Misc correction	22	7
Reductions		
Retirements	(11)	(10)
Late Notification/data alteration/Misc correction	(1)	(2)
Transfers Out/deceased	(5)	(8)
Deferred membership at 31 March	369	338

Movements within the Scheme's Pensioner Membership during the Year

Pensioner membership	2013/14	2012/13
Pensioner members at 1 April	893	850
Additions		
Late Notification/data alteration/Misc correction	3	0
Retirements	45	52
Widow/Widower/Dependent	4	2
Reductions		
Deaths in retirement	(9)	(11)
Pensioner membership at 31 March	936	893

Note: The figures include Pensioners, Child Allowances, Surviving Adult Dependent Pensions, Injury Pensions/Awards and Additional Pension beneficiaries.

Tax and National Insurance Status

- 3.27. The Scheme is contracted-out of the State Second Pension Scheme ("S2P") and is exempt approved for the purposes of the Income Tax (Retirement Benefit Schemes) Act 1978 and Part I of the Income Tax Act 1989 (Acts of Tynwald). Full tax relief is granted on the employers' and members' contributions paid to the Scheme.

Funding Status

- 3.28. The PSPA has undertaken an assessment of the future funding of all the schemes it manages and administers on a collective basis. The PSPA expects the schemes, including this Scheme to continue operating on an unfunded basis for the foreseeable future, with any shortfall between income and expenditure being funded by the Treasury.

Accounting Records

- 3.29. Prior to 1 April 2012, the scheme accounting records were maintained on a cash receipts and payments basis and there was no requirement to prepare financial statements.
- 3.30. Since 1 April 2012, the PSPA has been responsible for the preparation of the Scheme's financial statements in accordance with the Public Sector Pension Act 2011 (the 'Act'). The PSPA has concluded that this Scheme's accounting records should be prepared on an accruals basis.

Statement of PSPA Responsibilities

- 3.31. The financial statements, which are prepared in accordance with United Kingdom Accounting Standards, are the responsibility of the PSPA. The Act requires the PSPA to make available to the Council of Ministers audited financial statements for each scheme year which means that it should:
- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than the liabilities to pay relevant benefits after the end of the Scheme year; and
 - contain the information specified by United Kingdom Accounting Standards, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised May 2007).
- 3.32. The PSPA has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.
- 3.33. The PSPA is also responsible for making available certain other information about the Scheme in the form of an Annual Report.
- 3.34. The PSPA is also responsible for keeping records in respect of contributions received by Treasury in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employers in accordance with the Scheme rules and the recommendation of the Scheme actuary.
- 3.35. The PSPA also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme (if any) and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.
- 3.36. The PSPA is also responsible for the maintenance and integrity of the PSPA website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Further Information

- 3.37. The Council of Ministers has established the Public Sector Pensions Joint Working Group to review Public Sector Pensions. It is therefore possible that the outcome of that review may effect this Scheme going forward.
- 3.38. Enquiries about the Scheme generally, or about an individual member's entitlements to benefit, should be addressed to:-

Scheme Administrator
Public Sector Pensions Authority
Goldie House
1-4 Goldie Terrace
Douglas
Isle of Man IM1 1EB



Mr J Carter, LLB
Chair, PSPA
17 December 2014



Hon C Robertshaw, MHK
Vice Chair, PSPA
17 December 2014

4. Actuarial Statement

Addressee and Purpose

- 4.1. This statement has been prepared for the Public Sector Pensions Authority ("PSPA"). The purpose of this statement is to set out the disclosures required for the 2013/14 Annual Report and Accounts of the Teachers' Superannuation Order 2011 Scheme ("the Scheme").

Description of the Scheme

- 4.2. The Scheme is an unfunded defined benefit scheme, the rules of which are set out in Teachers' Superannuation Order 2011 and any subsequent amendments.

Background to the Scheme

- 4.3. Membership of the Scheme is open to anyone employed full or part time, between the ages of 18 and 75 employed in pensionable employment, and
- employed by the Department of Education as a teacher/lecturer; and/or
 - employed in an independent school or further and higher education establishment that has been accepted into the Scheme.

Principal Actuarial Assumptions and Method used to Value the Liabilities

- 4.4. The financial and demographic assumptions adopted are consistent with those used for the actuarial valuation of the PSPA pension schemes as at 31 March 2013. Details are set out below.
- 4.5. Data provided by the PSPA for the purpose of the 2013 actuarial valuation was used in the preparation of this statement.

Method

- 4.6. The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.
- 4.7. The calculation of the estimated cost of benefits earned (or 'accrued') by existing members over the year from 1 April 2013 allows for all expected future pay and pension increases, and is based on the Projected Unit Method of calculation. This amount is expressed as a percentage of the members' pensionable pay over the year.

Assumptions

- 4.8. The same financial and demographic assumptions were adopted for all PSPA pension schemes at the 2013 valuation.

- 4.9. The key financial assumptions adopted are set out below.

Financial assumptions	31 March 2013	
	% p.a. Nominal	% p.a. Real
Discount rate	5.0%	3.0%
Pay increases	4.5%	2.5%
Price inflation/Pension increases	2.0%	-

- 4.10. The key demographic assumption is the allowance made for longevity. The life expectancy assumptions are based on the Club Vita tables used for the 2013 PSPA valuations with improvements in line with the CMI 2013 projections model, assuming that the recent rate of improvements will continue to rise in the short term before falling to a long term rate of improvement of 1.25% p.a.
- 4.11. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	24.1 years	26.0 years
Future Pensioners*	26.7 years	28.8 years

**Future pensioners are assumed to be 45 at the 2013 valuation.*

- 4.12. Please note, the life expectancy assumption adopted for the 2013 valuation of the PSPA pension schemes is different to that adopted for the 2012/13 actuarial statement.

Other Demographic Assumptions

- 4.13. Age retirements - Members are assumed to retire on reaching the Normal Retirement Age applicable to their membership of the Scheme. No allowance is made for early retirements (other than on grounds of ill-health).
- 4.14. Retirements in ill-health - Allowance has been made for ill-health retirements before Normal Pension Age (see table overleaf).

4.15. Tier 1

Age	Incidence for 1,000 active members p.a.	
	Male	Female
	Ill Health	Ill Health
20	0.00	0.00
25	0.00	0.36
30	0.45	0.60
35	0.60	1.20
40	1.05	1.56
45	2.40	2.52
50	6.60	4.92
55	13.50	12.96
60	27.00	0.00

4.16. Tier 2

Age	Incidence for 1,000 active members p.a.	
	Male	Female
	Ill Health	Ill Health
20	0.00	0.00
25	0.00	0.19
30	0.24	0.32
35	0.32	0.64
40	0.56	0.83
45	1.28	1.34
50	3.52	2.62
55	7.20	6.91
60	14.40	0.00

4.17. Withdrawals - Allowance has been made for withdrawals from service (see below).

Age	Incidence for 1,000 active members p.a.	
	Male	Female
	Withdrawals	Withdrawals
20	122.40	116.10
25	80.85	78.10
30	57.35	65.45
35	44.80	56.45
40	36.05	46.95
45	29.50	38.65
50	22.85	29.45
55	19.80	22.70
60	12.00	10.55

- 4.18. Death in Service – Allowance has been made for members dying in active service (see table).

Age	Incidence for 1,000 active members p.a.	
	Male	Female
	Death in Services	Death in Services
20	0.30	0.16
25	0.30	0.16
30	0.36	0.24
35	0.42	0.40
40	0.72	0.64
45	1.20	1.04
50	1.92	1.52
55	3.00	2.00
60	5.40	2.56

- 4.19. Promotional salary scale –The promotional pay scale is in addition to the allowance for general pay inflation described above.

Age	Promotional Salary Scales	
	Male	Female
	Salary Scale	Salary Scale
20	100	100
25	100	100
30	123	123
35	138	138
40	148	148
45	158	158
50	168	168
55	168	168
60	168	168

- 4.20. Family details - A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. Husbands are assumed to be 3 years older than wives.
- 4.21. Cash commutation - Future pensioners are assumed to elect to exchange pension for additional tax-free cash up to 50% of the maximum amount permitted.

Value of Past Service Liabilities as at 31 March 2013

- 4.22. The PSPA commissioned an actuarial valuation of the Scheme as at 31 March 2013. This valuation revealed the past service liabilities of the Scheme as at 31 March 2013 to be £332.6m. A breakdown of this is provided in the tables overleaf.

Active Members	Past Service Liabilities (£000)
Pre 2007 Joiners	146,313
Post 2007 Joiners	8,215
Total	154,528

Deferred Members	Past Service Liabilities (£000)
Pre 2007 Joiners	16,393
Post 2007 Joiners	356
Total	16,749

Pensioner Members	Past Service Liabilities (£000)
Pre 2007 Joiners	160,920
Post 2007 Joiners	358
Total	161,278

Cost of Accruing Benefits as at 31 March 2013

- 4.23. The Scheme is an unfunded arrangement. Active members pay contributions based on their pensionable pay, with the balance of cost being met by employers (principally, the Isle of Man Government).
- 4.24. The employer's share of the cost of accruing benefit as at 31 March 2013 on the assumptions set out above is 17.1% and the employees' cost is 9.0%. This allows for the increase to employee contribution rates effective from 1 April 2013. These rates do not reflect the actual contribution rates payable by the employer, which is currently 14.1% p.a. for all employers, other than the Department of Education and Children which is 0% p.a.
- 4.25. The following Technical Actuarial Standards¹ are applicable in relation to this report:
- Pensions TAS;
 - TAS R – Reporting;
 - TAS M – Modelling; and
 - TAS D – Data.



Peter Summers FFA
For and on behalf of Hymans Robertson LLP
Scheme Actuary
1 September 2014

¹ Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work, including the information and advice contained in this report.

5. Independent Auditor's Report to the PSPA in respect of the Teachers' Superannuation Order 2011

Report on the financial statements

Our opinion

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2014, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with United Kingdom Accounting Standards.

This opinion is to be read in the context of what we say below.

What we have audited

The financial statements, which are prepared by the PSPA, comprise:

- the net assets statement as at 31 March 2014;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable Isle of Man law and United Kingdom Accounting Standards.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the PSPA; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the PSPA

As explained more fully in the statement of PSPA responsibilities, the PSPA is responsible for the preparation of the financial statements and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable Isle of Man law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report including the opinion has been prepared for and only for the PSPA as a body in accordance with the Public Sector Pensions Act 2011 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purposes or any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLC

PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man

~~17 December 2014~~

16 January 2015

6. Independent Auditor's Statement about Contributions to the PSPA in respect of the Teachers' Superannuation Order 2011

Statement about contributions

Our qualified opinion

In our opinion, except for the matter described in the basis for our qualified opinion paragraph, the contributions payable to the scheme for the year ended 31 March 2014 have in all material respects been paid in accordance with the Scheme Rules and the cost of accruing benefits as advised by the Scheme Actuary.

Basis for our qualified opinion

The contributions paid to the scheme for the year ended 31 March 2014 were at a lower percentage of pensionable pay than the cost of accruing benefits as advised by the Scheme Actuary in the latest actuarial valuation as at 31 March 2013.

This opinion is to be read in the context of what we say in the remainder of this statement.

What we have examined

We have examined the contributions paid to the scheme for the year ended 31 March 2014.

What an examination of the contributions payable involves

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions have been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme under the Scheme Rules and the cost of accruing benefits as advised by the Scheme Actuary and, the timing of those payments.

Responsibilities for the statement about contributions

Our responsibilities and those of the PSPA

As explained more fully in the statement of PSPA responsibilities, the PSPA is responsible for monitoring whether contributions are made to the scheme by the employers in accordance with relevant requirements.

It is our responsibility to provide a statement about contributions and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the PSPA as a body in accordance with the Public Sector Pensions Act 2011 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLC

PricewaterhouseCoopers LLC

Chartered Accountants

Douglas, Isle of Man

~~17 December 2014~~

16 January 2015

7. Fund Account for the Year Ended 31 March 2014

	Notes	2014 £000	2013 Restated £000
Contributions and other income			
Contributions	9.16, 9.28	10,172	11,411
Transfers from other schemes	9.12	143	273
Other income	9.13	130	0
Benefits and other outgoings			
Benefits	9.18	(13,352)	(12,770)
Payments to and on account of leavers		(91)	(677)
Other payments		(3)	(5)
Net withdrawals from dealings with members		(3,001)	(1,768)
Net assets of the Scheme at 1 April		0	0
Cancellation of current assets and current liabilities	9.4 to 9.7, 9.19, 9.28	3,001	1,768
Net assets of the Scheme at 31 March		0	0

7.1. The notes on page 24 to 27 form part of these financial statements.

8. Net Assets Statement as at 31 March 2014

	Notes	2014 £000	2013 £000
Current assets	9.4 to 9.7	0	0
Current liabilities	9.4 to 9.7	0	0
Net assets of the Scheme at 31 March		0	0

- 8.1. The notes on page 24 to 27 form part of these financial statements.
- 8.2. The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the PSPA. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the actuarial statements on pages 13 to 17, and these financial statements should be read in conjunction with them.
- 8.3. These financial statements were approved by the PSPA on 17 December 2014.



Mr J Carter, LLB
Chair, PSPA
17 December 2014



Hon C Robertshaw, MHK
Vice Chair, PSPA
17 December 2014

9. Notes to the Financial Statements for the Year Ended 31 March 2014

Basis of Preparation

- 9.1. The financial statements have been prepared in accordance with applicable Isle of Man law, United Kingdom Accounting Standards ('UKAS') and, with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (revised May 2007), to the extent that it is considered to be appropriate for an unfunded pension scheme.

Basis of Accounting

- 9.2. Prior to 1 April 2012, the scheme accounting records were maintained on a cash receipts and payments basis and there was no requirement to prepare financial statements.
- 9.3. Since 1 April 2012, the PSPA has been responsible for the preparation of the Scheme's financial statements in accordance with the Public Sector Pension Act 2011 (the 'Act'). The PSPA has concluded that this Scheme's accounting records should be prepared on an accruals basis.

Accounting Treatment – Cancellation of Current Assets and Current Liabilities

- 9.4. The Scheme operates on an unfunded basis and as such a separate fund has not been established from which the Scheme can pay the members' benefits and other out-goings.
- 9.5. As a consequence, the PSPA and Treasury have agreed that with effect from 1 April 2011 that neither party will seek the payment of the amounts due from the other party being:
- Amounts due from the sponsoring employers to the PSPA, mostly contributions which have been collected by the Treasury and paid into the Isle of Man Government's General Reserves; and
 - Amounts due from the PSPA to the Treasury, mostly members' benefits and other out-goings paid by the Treasury.
- 9.6. This agreement is subject to the Treasury continuing to provide sufficient additional funding to meet the Scheme's financial obligations to pay pensions and benefits as they fall due after the end of the Scheme year.
- 9.7. The financial statements and the notes to the financial statements have been prepared on this basis. The cancellation of these balances occurs annually, as reflected in the fund account.

Accounting Policies

- 9.8. The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the financial statements.

Contributions

- 9.9. Normal contributions, from the sponsoring employers and members are accounted for on an accruals basis.
- 9.10. Additional Voluntary Contributions ('AVCs') including augmentations are accounted for on an accruals basis. Amounts paid in respect of money purchase AVCs to secure additional defined contribution benefits under arrangements made by the PSPA are not reflected in these financial statements.

Benefits

- 9.11. Where members take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are recognised in the fund account on the later date of retirement and the date the option is exercised. Other benefits are recognised on a similar basis being on the date of retirement, death or leaving the Scheme as appropriate.

Transfers To and From Other Schemes

- 9.12. Transfer values represent the capital sums either receivable in respect of members from other schemes of previous employers or payable to the scheme of new employers for members who have left this Scheme. They are accounted for on an accruals basis on the date that the PSPA or the receiving scheme accepts the liability. The liability normally transfers when a payment is made.

Other Income – Early Retirement

- 9.13. Where sponsoring employers choose to terminate a member's employment in the interests of efficiency or, on the grounds of redundancy or ill-health, the additional cost of providing early retirement benefits is borne by the sponsoring employer and paid to the Scheme, with the early retirement benefits paid to the member by the Scheme. The cost to the sponsoring employer is calculated by the Scheme Actuary or by the administrators or staff of the PSPA, dependent upon the type of benefits provided and the calculations required.

Other Payments

- 9.14. Other payments include the refund of contributions.
- 9.15. Administrative expenses are borne by the PSPA and have not been reflected in these financial statements.

Contributions

- 9.16. Using the actuarial statement dated 31 March 2013, Employers' normal contributions receivable have been calculated as 17.1% of pensionable pay (2013: 23%). Employers' normal contributions paid by the sponsoring employers equate to 13.2% of pensionable pay (2013: Restated 13.5%).

	2014 £000	2013 Restated £000
Employers' Contributions		
Normal	6,798	8,791
Members' Contributions		
Normal	3,374	2,620
Contributions Total	10,172	11,411

Funding of Current Year Benefits and Other Outgoings

- 9.17. Benefits and other out-goings are funded on a 'pay as you go' basis, primarily through a combination of:

- Contributions paid by the sponsoring employers and members to the Treasury;
- Transfers from other schemes in respect of new members, paid to the Treasury; and
- Additional funding provided by the Treasury, including transfers from the Public Sector Employees Pension Reserve ('PSEPR'), a non-ring fenced reserve of the Isle of Man Government.

- 9.18. Benefits

	2014 £000	2013 £000
Pensions	10,798	10,125
Commutations and lump sums	2,554	2,645
Benefits Total	13,352	12,770

- 9.19. Cancellation of Current Assets and Current Liabilities

	2014 £000	2013 Restated £000
Contributions due from sponsoring employers to the scheme	10,445	11,684
Amounts due from the scheme to the Treasury in respect of benefits and other payments	(13,446)	(13,452)
Cancellation of current assets and current liabilities Total	(3,001)	(1,768)

Related Party Transactions

- 9.20. Other than those items disclosed elsewhere in the financial statements, there were no other related party transactions.

Contingent Liabilities and Commitments

- 9.21. In the opinion of the PSPA the Scheme has no contingent liabilities and commitments other than those items disclosed elsewhere in the financial statements.

Future funding

- 9.22. The PSPA has performed an assessment of when the contractual obligations to pay pensions and benefits will fall due after the balance sheet date and, how these contractual obligations will be funded. This assessment has been performed on a combined basis for all public sector pension schemes (the 'schemes') as defined under the Public Sector Pensions Act 2011 (the 'Act').
- 9.23. There is a funding gap between the schemes' cash payments and cash receipts (hereafter the 'funding gap'), which is met by the Treasury through a combination of transfers from the Isle of Man Government's General Reserves and the non-ring fenced Public Sector Employees Pension Reserve ('PSEPR'). The PSEPR's market value at 31 March 2014 was £237.3 million (2013: £250.8 million).
- 9.24. This year's funding gap was £46 million (2013: £35 million), with £22.5 million (2013: £22 million) being funded from General Reserves and £23.5 million (2013: £13 million), being funded from the PSEPR.
- 9.25. It is anticipated that the annual funding gap will continue to increase as a larger proportion of the schemes' membership reaches retirement and that additional funding will be required from the Treasury.
- 9.26. The PSPA has concluded that the schemes can continue to meet their contractual obligations, subject to the Treasury being able to fund the schemes' annual funding gap and the High Court of Tynwald continuing to provide monies to meet the payment of pension benefits in accordance with Section 9(3)(b) of the Act.
- 9.27. To ensure that the schemes can continue to meet their contractual obligations in the future, the funding gap will remain under review on an ongoing basis by the PSPA and Treasury.

Comparative figures

- 9.28. The comparative figures for contributions receivable and the cancellation of current assets and current liabilities have been restated. Contribution receivable was overstated as a result of the accrual for employers' contribution receivable being calculated using Full Time Equivalent Pensionable Pay, rather than Actual Pensionable Pay. The restatement has resulted in the comparative figures being reduced by £918,000. There was no impact on the net assets of the scheme as reported at 31 March 2013.

