



**Police Service**  
of Northern Ireland

# Pension Accounts

For the year ended 31 March 2023



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**Police Service**  
of Northern Ireland

# Police Pension Accounts

**For the year ended 31 March 2023**

Laid before the Northern Ireland Assembly under Section 12 (6)(b) of the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010

On

**7 July 2023**

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# Accountability Report

## **Report of the Managers**

### **Introduction**

The Police Service of Northern Ireland (PSNI) administers three pension schemes for police officers (collectively the 'Schemes' or PSNI Pension Schemes'. The Police Pension Scheme 1988 (now referred to as the 'Closed' Scheme), the new Police Pension Scheme 2006 (or 'New' scheme), and from 1 April 2015 the 2015 Police Pension Scheme (or 'CARE' scheme).

### **Statutory basis for the Schemes**

The regulations under which the Closed Scheme operates are the Pensions (Northern Ireland) Order 1995 and the Royal Ulster Constabulary Pensions Regulations (Northern Ireland) 1988 with subsequent amendments. The regulations are modified for members of the PSNI Full Time Reserve in accordance with the Royal Ulster Constabulary Reserve (Full Time) Pension Regulations (Northern Ireland) 1994 and subsequent amendments.

The New Police Pension Scheme operates under the Police Pensions (Northern Ireland) Regulations 2007 which apply from 6 April 2006. Entry to the New Scheme was closed on the 31 March 2015.

The 2015 Police Pension Scheme is a Career Average Revalued Earnings (CARE) Scheme governed by the Police Pensions Regulations (Northern Ireland) 2015. This was the only Scheme open to new entrants during the 2022-23 financial year.

### **Eligibility to join the Schemes**

Members of the police service as set out in section 4 of the Police Pensions Regulations (NI) 2015 are eligible to join the scheme. Membership of these Schemes is not compulsory and officers may make other pension arrangements. All police officers are given a booklet explaining the Scheme rules and main features of the Scheme at induction or training.

### **Main features of the Scheme**

All Schemes are unfunded defined benefit schemes, to which police officers and the PSNI, as employer, contribute.

The rates of contributions and benefits are set by the Department of Justice (DOJ) as directed by Central Government and the Department of Finance (DoF).

### **Accounts Direction**

The Annual Report and Accounts for 2022-23 have been prepared in a form directed by the Department of Justice in accordance with Section 12 (3) of the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

## **Report of the Managers (continued)**

The rationale of preparing separate Pension Accounts is to prevent the detail required by IAS 19 (Employment Benefits) and IAS 26 (Accounting and Reporting by Retirement Benefit Plans) from overshadowing and drawing attention away from the record of the PSNI's core financial performance.

PSNI is an executive non-departmental public body of the Department of Justice.

As such, PSNI complies with the corporate governance and accountability framework arrangements (including *Managing Public Money Northern Ireland*) issued by the Department of Finance and Department of Justice.

In accordance with the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010, the Police Pension Accounts for the year ended 31 March 2023, will be laid before the Northern Ireland Assembly.

## **Management of the Scheme**

The Department of Justice is the Regulatory Authority and is responsible for setting the benefits to be provided by the Schemes, amending regulations as necessary and making the policy decisions in relation to the operation of the Schemes.

The Northern Ireland Policing Board (NIPB) is the PSNI Pension Schemes' Manager. As Schemes Manager, NIPB is responsible for ensuring the accurate management of benefits and provision of information to members in line with the Schemes rules. The NIPB has delegated these functions to PSNI to carry out on their behalf.

PSNI Financial Services carries out the day to day administration of the Schemes, including the day to day management of payments and receipts, and correspondence with Scheme members.

The Public Service Pensions Act (NI) 2014 ("the 2014 Act") requires each public service pension scheme to have a Pension Board to assist the scheme manager in securing the effective and efficient administration of the pension scheme and a Scheme Advisory Board for considering major changes to scheme rules.

The Police Pensions Board is comprised of three employer and employee representatives, an independent member and is chaired by an independent chairperson. Further details of members are set out on page 20.

The Scheme Advisory Board (SAB) is chaired by a Department of Justice official and comprises other members representing members and employers.

**Report of the Managers (continued)**

The Managers, Advisers and Employers for all Schemes are as follows:

**Managers:****Government Department  
(Regulatory Authority)**

Department of Justice  
Block B  
Castle Buildings  
Stormont Estate  
Belfast  
BT4 3SG

**Pension Scheme Manager**

Northern Ireland Policing Board  
James House, Block D  
2 - 4 Cromac Avenue  
The Gasworks  
Belfast  
BT7 2JA

**Advisers:****Accounting Officer & Pension  
Scheme Administrator**

Chief Constable  
Police Service of Northern Ireland  
Brooklyn  
65 Knock Road  
Belfast  
BT5 6LE

**Pension Scheme Actuary**

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

**Auditor**

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

**Bankers**

Danske Bank  
Donegall Square West  
Belfast

The Schemes have no separate  
bank account and utilise the  
banking arrangements of the PSNI.

**Employers:****Principal Employer**

Police Service of Northern Ireland  
Brooklyn  
65 Knock Road  
Belfast  
BT5 6LE



## Report of the Managers (continued)

### Changes to the Schemes

There were no changes to police officer pension contributions and accrual rates in 2022-23.

The Pension Schemes' Manager has considered the impact of the Covid-19 outbreak on the pension liability. As outlined in the Report of the Actuary, it is too early to determine whether the pandemic will have any potential long-term effects on future mortality rates and therefore no amendments have been made to the assumptions underpinning the liability in this regard.

### Membership Statistics

Details of the current membership of the Closed Police Pension Scheme are as follows:

<b>Active Members<sup>1</sup></b>	
At 1 April 2022	<b>233</b>
Moved to 2015 Pension Scheme	(233)
At 31 March 2023	<u>-</u>
<b>Deferred Members<sup>2</sup></b>	
At 1 April 2022	<b>1,088</b>
Members leaving who have deferred pension rights	2
New Pension Sharing Order	3
Members taking up deferred pension rights	(74)
At 31 March 2023	<u><b>1,019</b></u>

#### Notes

1. An active member is defined as an individual who is in pensionable service.
2. A deferred member is defined as a member who has previously been in pensionable service. These members have yet to claim retirement benefits.

<b>Pensions in Payment<sup>1</sup></b>	<b>Members</b>	<b>Dependents</b>	<b>Total</b>
At 1 April 2022	<b>14,341</b>	<b>2,131</b>	<b>16,472</b>
Members retiring in year at normal retirement age	171	-	171
CARE retirements with closed scheme benefits	32	-	32
Deferred pensions into payment	65	-	65
Other retirements <sup>2</sup>	102	-	102
Injury Awards/Pensions Sharing Orders	43	-	43
New dependents	-	136	136
Cessations	(488)	(102)	(590)
At 31 March 2023	<u><b>14,266</b></u>	<u><b>2,165</b></u>	<u><b>16,431</b></u>

- 1 Pensions in payment members are individuals who left pensionable service and are in receipt of their retirement benefits. Dependent members are widows/ers, and dependent person in receipt following the death of scheme member.
- 2 Other retirements due to ill health.

**Report of the Managers (continued)**

Details of the current membership of the New Police Pension Scheme are as follows:

**Active Members**

At 1 April 2022	<b>29</b>
Moved to 2015 Pension Scheme	<u>(29)</u>
At 31 March 2023	<u>-</u>

**Deferred Members**

At 1 April 2022	<b>208</b>
Members leaving who have deferred pension rights	<u>24</u>
At 31 March 2023	<u><b>232</b></u>

**Pensions in Payment**

	<b>Members</b>	<b>Dependents</b>	<b>Total</b>
At 1 April 2022	<b>24</b>	<b>3</b>	<b>27</b>
CARE retirements with new scheme benefits	15	-	15
At 31 March 2023	<u><b>39</b></u>	<u><b>3</b></u>	<u><b>42</b></u>

Details of the current membership of the CARE Police Pension Scheme are:

**Active Members**

At 1 April 2022	<b>6,597</b>
New entrants	119
Moved from Closed Pension Scheme	233
Moved from New Pension Scheme	29
Normal Age Retirements in year	(69)
Other retirements	<u>(333)</u>
At 31 March 2023	<u><b>6,576</b></u>

**Deferred Members**

At 1 April 2022	<b>192</b>
Members leaving who have deferred pension rights	125
New Pension Sharing Orders	1
Members taking up deferred pension rights	<u>(30)</u>
At 31 March 2023	<u><b>288</b></u>

**Pensions in Payment**

	<b>Members</b>	<b>Dependents</b>	<b>Total</b>
At 1 April 2022	<b>178</b>	<b>5</b>	<b>183</b>
Retirements	164	6	170
Injury Awards/Pensions Sharing Orders	54	-	54
At 31 March 2023	<u><b>396</b></u>	<u><b>11</b></u>	<u><b>407</b></u>

## **Report of the Managers (continued)**

### **Additional Voluntary Contributions and Stakeholder Pensions**

Utmost Life and Standard Life have been appointed as providers of the in-house Additional Voluntary Contribution (AVC) Scheme for police officers. This is legislated in Statutory Rules of Northern Ireland for the PSNI Pension Scheme. PSNI designated Standard Life as the Stakeholder Pension Provider. PSNI have made known to staff the arrangements and provide a facility for staff to contribute through payroll if they so wish.

£3,720 of contributions have been made by members of PSNI to the Scheme during the year (2021-22: £5,166) (see note 10).

There is no in-house AVC Scheme available to members of the New Police Pension Scheme or the CARE scheme.

### **Financial Position and Going Concern**

The Combined Statement of Financial Position (which includes liabilities belonging to the Closed, the New and the CARE Pension Schemes) at 31 March 2023 shows net liabilities of £7.72bn (31 March 2022: £12.10bn). It is considered appropriate to adopt a going concern basis for the preparation of the financial statements as the PSNI Pension Schemes form part of the DOJ and are funded via the Department through supply grants from the Northern Ireland Consolidated Fund.

Such drawings will be from grants approved annually by the Northern Ireland Assembly. Although the Department of Finance published a draft budget for 2022-25, the absence of an Executive meant that it could not be agreed. The budget for 2023-24 was set via Written Ministerial Statement by the Secretary of State for Northern Ireland.

It has been considered appropriate to adopt a going concern basis for the preparation of the PSNI's financial statements for 2022-23 as funding is anticipated to continue for the foreseeable future.

## **Report of the Managers (continued)**

### **Issues for 2022-23**

#### **McCloud ruling**

In December 2018, the Court of Appeal ruled that transitional protection provisions contained in reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, amounted to direct age discrimination and were therefore unlawful. In June 2019, the Supreme Court refused permission for any further appeal of that ruling and the judicial and firefighter cases in question were remitted to the Employment Tribunal to determine a remedy to members who suffered discrimination. In July 2019, the Westminster Government confirmed that, as transitional protection was offered to members of all the main public service pension Schemes, the government intends to address the difference in treatment across all Schemes. The reformed public service schemes in Northern Ireland, including the PSNI Pension Schemes, incorporate similar age-based transitional protections. The Department of Finance (DoF) ran a consultation from 19 August 2020 to 18 November 2020 consulting on proposals to I) remove discrimination in unfunded public service schemes made under the Public Service Pensions Act (Northern Ireland) 2014 for the future; and, II) remedy the effect of any discrimination scheme members may have incurred since April 2015.

The DoF issued its consultation response in February 2021 proposing to proceed with the deferred choice underpin. This approach means all eligible members will receive a choice at the point of retirement whether to take legacy or reformed scheme benefits for the period between 1 April 2015 and 31 March 2022, known as the remedy period. All public servants, including members of the PSNI Pension Schemes, who continue in service from 1 April 2022 onwards will do so as members of their respective reformed scheme. These proposals were developed at the Collective Consultation Working Group, which is the recognised forum for consultation on pension policy for devolved schemes and where both public service employers and employees are represented. All police officers became members of the 2015 CARE scheme from 1 April 2022 as part of the McCloud response. Implementation of the full remedy is expected by October 2023, with any leavers up to that time having their pension benefits paid as has occurred with no immediate implementation of the deferred choice underpin. Any subsequent changes to the PSNI Pension Schemes will be subject to further consultation.

## **Report of the Managers (continued)**

### **2016 Cost Cap valuations**

The 2016 Scheme valuation was paused as a consequence of the McCloud ruling. The cost cap mechanism for the 2016 valuation has since been un-paused and the calculations complete, with the outcome being no changes to benefits or contributions. The Department of Finance published revised valuation directions enabling the 2016 valuation to be completed including the final cost cap results. These results take into account the increased value of public service pensions, attributable to the 'McCloud remedy'.

However, appeals regarding the inclusion of McCloud remedy costs within the Cost Control Mechanism at the 2016 valuations is ongoing and the outcome will become known in due course.

### **Audit Services**

The financial statements for 2022-23 are audited by the Comptroller and Auditor General for Northern Ireland (C&AG), who heads the Northern Ireland Audit Office and is appointed by statute and reports to the Northern Ireland Assembly. Their certificate and report is produced at pages 31-35.

The audit fee for the work performed relating solely to the audit of these Financial Statements was £20,145 (2021-22: £19,750). These costs are borne by the PSNI Main Accounts and are excluded from these statements.

The C&AG may also undertake other statutory activities that are not related to the audit of the body's Financial Statements such as Value for Money reports. No such activity relating to the PSNI Pension Accounts took place during the year.

### **Further Information**

A full certified copy of the Police Pension Annual Report and Accounts will be available on the PSNI's website [www.psni.police.uk](http://www.psni.police.uk).

Any enquiries regarding the PSNI Closed Police Pension Scheme, the New Police Pension Scheme or the CARE Scheme should be addressed to the PSNI Pensions team at [Pensions@psni.police.uk](mailto:Pensions@psni.police.uk).

### **Events after the reporting period**

There were no events after the reporting period which required adjustment to the Scheme Statements or additional disclosures.

## **Report of the Actuary**

### **Introduction**

This report was commissioned by Northern Ireland Police Service (“the Authority”) in accordance with the commissioning letter dated 18 January 2023. It sets out the results of the pensions disclosures in accordance with the requirements of CIPFA’s Code of Practice for accounting periods commencing on or after 1 April 2020 for the retirement benefit under the Police Pension Scheme 1988, the Police Injury Benefit Scheme, the New Police Pension Scheme 2006 and the Police Pension Scheme 2015 (collectively referred to as ‘the scheme’) for the period from 1 April 2022 to 31 March 2023 for the year 2022-23.

The previous disclosure exercise was carried out as at 31 March 2022 and provided to the Authority on 29 April 2022.

The scheme is a defined benefit scheme, the rules of which are set out in The Royal Ulster Constabulary Pensions Regulations (Northern Ireland) 1988, The Police Pension (Northern Ireland) Regulations 2009, the Police Service of Northern Ireland and Police Service of Northern Ireland Reserve (Injury Benefit) Regulations 2006, The Police Pensions Regulations (Northern Ireland) 2015 and subsequent amendments. The scheme is wholly unfunded. We are not aware of any informal practices operated within the scheme which lead to a constructive obligation (under IAS 19 constructive obligations should be included in the measurement of the actuarial liability).

The results have been calculated by carrying out a detailed valuation of the most recent data provided to us (as at 31 March 2020), adjusted as described in the next page. This has then been rolled forward to reflect the position as at 31 March 2023. In particular we have allowed for service accrued between 1 April 2020 and 31 March 2023 and known pension and salary increases that would have applied.

### **Membership Data**

In keeping with the terms of the appointment, the Authority has provided the Government Actuary’s Department (GAD) with full membership data as at 31 March 2020, together with cash flow information for the year ending 31 March 2023.

GAD has undertaken some basic checks on the membership data provided as at 31 March 2020. In some cases, data items for members that failed a check have been adjusted in our calculations – for example if there was insufficient information to determine the pension, salary or date of birth of the member, or if the data provided was obviously incorrect. Under these circumstances, the member’s data record is replaced with the average member profile of similar members for which data is available.

## Report of the Actuary (Continued)

The data used for these disclosures will be used for the funding valuation of the scheme as at 31 March 2020. We are not aware of any reason why this data (together with the summarised membership data and cash flow information referred to above) is not suitable for the purpose of producing the 2022-23 disclosures required by the Authority. The results are dependent on the quality and correctness of the data used.

The Table below summarises the principal membership data as at 31 March 2020 used to prepare this statement.

<b>Active members</b>	
<b>Number</b>	<b>Total salaries in membership data <sup>1</sup></b> <b>(£ million pa)</b>
<b>6,692</b>	<b>253.6</b>
<b>Deferred members</b>	
<b>Number</b>	<b>Total deferred pension <sup>2</sup></b> <b>(£ million pa)</b>
<b>1,315</b>	<b>12.5</b>
<b>Pensions in payment (excluding injury pensions)</b>	
<b>Number</b>	<b>Total pension <sup>3</sup></b> <b>(£ million pa)</b>
<b>13,178</b>	<b>240.8</b>

<sup>1</sup> Total salary is Average Pensionable Pay with allowance for part-time employment

<sup>2</sup> Total deferred pension includes the PI awarded in April 2020

<sup>3</sup> Total pension includes the PI awarded in April 2020

## Methodology

The present value of the liabilities has been determined using the Projected Unit Credit Method ('PUCM'). Under the PUCM, the actuarial liability represents the present value of future benefit payments arising in respect of service prior to the valuation date. In respect of active members, the actuarial liability includes allowance for expected future pay increases up to the assumed date of retirement or exit, and for subsequent pension increases. In respect of pensions in payment and deferred members, the actuarial liability includes allowance for future pension increases (and revaluation in deferment). The liability is calculated using the principal financial assumptions applying to the 2022-23 Pension Disclosures.

The cost of benefits accruing in the period from 1 April 2022 to 31 March 2023 was determined using the PUCM with a one-year control period and based on the principal financial assumptions applying to the 2021-22 Pension Disclosures. This rate represents the present value of benefits accruing to active members over the year, with allowance for pay increases to the assumed date of retirement or exit, expressed as a level percentage of the expected pensionable payroll over the control period.

## Report of the Actuary (Continued)

This statement takes into account the benefits normally provided under the scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It also includes the cost of injury benefits (in excess of ill-health benefits and excluding the gratuity lump sum which is accounted for as a past service cost). It does not include employer-initiated early retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.

### Assumptions

#### Financial

The assumptions have been prepared in accordance with the Financial Reporting Manual (FRm) issued by HM Treasury (HMT). The financial assumptions proposed by GAD and agreed with the PSNI in nominal terms are:

- A long term nominal discount rate of 4.15% pa
- A rate of long-term inflation and pensions increases of 2.4% pa
- A long term rate of earnings increase of 3.65% pa excluding promotional and performance increments
- Rate of revaluation for CARE Pensions 3.65%

#### Demographic

Below provides a summary of the mortality assumptions used to prepare this statement, derived from specific experience and analysis of scheme membership. The table below refers to the new 'S3' base mortality tables which include more recent population mortality experience than the previously used 'S2' tables.

	<b>Assumption</b>
<b>Normal health pensioners</b>	Male: 107% of S3NMA Female: 115% of S3NFA
<b>Current ill-health pensioners</b>	Male: 105% of S3NMA_H Female: 121% of S3NFA_H
<b>Dependants</b>	Male: 78% of S3DMA Female: 99% of S3DFA
<b>Mortality improvements</b>	In line with ONS 2020-based population projections



**Report of the Actuary (Continued)**

	Life expectancy	
	Males	Females
<b>65 year old current normal health pensioner</b>	21.9	23.5
<b>45 year old future normal health pensioner at 65</b>	23.5	25

**Liabilities**

The assessed value as at 31 March 2023 of expected future benefit payments under the Police Pension Schemes, for benefits accrued in respect of employment (or former employment) prior to 31 March 2023, has been assessed using the methodology and assumptions set out above. The results are broken down, between the various categories of members, as follows:

	<b>Closed Scheme</b> £m	<b>New Scheme</b> £m	<b>CARE Scheme</b> £m	<b>Total 2022-23</b> £m	Total 2021-22 £m
Actives (past service)	1,484.59	301.95	550.49	<b>2,337.03</b>	4,424.33
Deferred Pensioners	248.85	9.38	2.24	<b>260.47</b>	475.18
Current Pensioners (excluding injury)	<u>5,091.06</u>	<u>3.20</u>	<u>14.51</u>	<b><u>5,108.77</u></b>	<u>7,185.21</u>
Total	<b><u>6,824.50</u></b>	<b><u>314.53</u></b>	<b><u>567.24</u></b>	<b><u>7,706.27</u></b>	<u>12,084.72</u>

**Accruing Costs**

The cost of benefits accruing for each year is met partly by contributions from members, with the employer meeting the balance of the cost. The cost of benefits accruing in the year ended 31 March 2023 is based on a standard contribution rate as determined at the start of the year. Employees pay contributions based on their current salary. The standard contribution rate for the 2015 CARE Scheme includes an allowance for the “better of” benefits which we project to be accrued by affected members in the year ending 31 March 2023.

**% of pensionable pay**

	<b>CARE Scheme</b>
Current Service Cost 2022-23	96.3%
Current Service Cost 2021-22	113.1%

## Report of the Actuary (Continued)

For the avoidance of doubt the employer's share of the Current Service Cost determined for the purposes of this exercise is not the same as the actual rate of contributions payable by employers, currently 35.0% of pensionable pay, which was determined based on the methodology and the financial and demographic assumptions adopted for the funding of the Schemes.

The pensionable payroll for the financial year 2022-23 was £266.1m (derived from contributions payable by employers over the year). In relation to the pensionable payroll for the financial year, the Current Service Cost is as follows:

	<b>Closed Scheme £m</b>	<b>New Scheme £m</b>	<b>CARE Scheme £m</b>	<b>Total 2022-23 £m</b>	<b>Total 2021-22 £m</b>
Current Service Cost	0.01	0.08	256.2	<b>256.29</b>	293.59

## Sensitivity Analysis

The indicative effects on the total liability as at 31 March 2023 of changes to the key financial and demographic assumptions are as follows:

### Closed Scheme

<b>Change in Assumption*</b>		<b>Impact on DBO</b>	
		<b>%</b>	<b>£Million</b>
Discount Rate	+0.5% a year	(7.0)%	(469)
Salary Inflation	+0.5% a year	0.5%	39
Pension Increases	+0.5% a year	7.0%	472
Life expectancy: All members and adult dependants assumed to be one year younger		2.5%	184

### New Scheme

<b>Change in Assumption*</b>		<b>Impact on DBO</b>	
		<b>%</b>	<b>£Million</b>
Discount Rate	+0.5% a year	(13.5)%	(42)
Salary Inflation	+0.5% a year	7.5%	23
Pension Increases	+0.5% a year	8.0%	25
Life expectancy: All members and adult dependants assumed to be one year younger		2.0%	6

### CARE Scheme

<b>Change in Assumption*</b>		<b>Impact on DBO</b>	
		<b>%</b>	<b>£Million</b>
Discount Rate	+0.5% a year	(13.5)%	(77)
Salary Inflation	+0.5% a year	0.0%	0
Pension Increases	+0.5% a year	16.0%	91
Life expectancy: All members and adult dependants assumed to be one year younger		2.0%	11

## Report of the Actuary (Continued)

\* Opposite changes in the assumptions will produce approximately equal and opposite changes in the Defined Benefit Obligation (DBO). Doubling the changes in assumptions will produce approximately double the change in the DBO. The sensitivities show the change in assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the actual impact may be different by simply combining the changes.

### Covid-19 Implications

The current population mortality projections make a short-term allowance for the impact of the Covid-19 pandemic. When deriving the ONS 2020-based mortality improvement projections, a panel of mortality experts gave their views on the impact of Covid-19 pandemic on mortality rates in the short term. Based on this, short term adjustments were made to the 2019 to 2024 period to allow for estimated deaths in 2021 and an averaging of the experts' views on estimated improvements by age group over this period. Long term rates of future mortality improvement are not projected to change as a result of Covid-19. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future accounting periods. I expect that the projected of the long-term impact of the Covid-19 pandemic on life expectancy will continue to evolve as experience and evidence emerges into the future.



**Rob Fornear**  
**Fellow of the Institute and Faculty of Actuaries**  
**Government Actuary's Department**  
**28 April 2023**

## Statement of the Chief Constable's Responsibilities

Under Sections 12(1) and (3) of the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003 and the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010, the Chief Constable of the PSNI is required to prepare a statement of accounts on behalf of the Northern Ireland Policing Board, in the form and on the basis set out in the accounts direction.

The combined financial statements must give a true and fair view of the state of affairs of the PSNI Pension Schemes at the year end and of the net expenditure and cash flows for the year then ended. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the Northern Ireland Assembly or material transactions that have not conformed to the authorities that govern them. In addition, the financial statements must be prepared so as to ensure that the contributions payable to the Schemes during the year have been paid in accordance with the Schemes rules and recommendations of the Actuary.

In preparing the accounts, the Chief Constable of the PSNI 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 Justice, including the relevant accounting and disclosure requirements, and apply suitable accounting 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;
- prepare the financial statements on the going concern basis; and
- confirm that the Police Pension Accounts as a whole are fair, balanced and understandable and take personal responsibility for the Police Pension Accounts and the judgements required for determining that they are fair, balanced and understandable.

The Accounting Officer for the DoJ appointed the Chief Constable of the PSNI as Accounting Officer for the Police Pension Schemes. 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 Police Pension Schemes, are set out in Managing Public Money Northern Ireland published by DoF.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Police Pensions Schemes auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

## **Governance Statement**

### **Scope of responsibility**

I have been appointed as the Accounting Officer for the PSNI, by the Accounting Officer of the DOJ to whom I am directly accountable. My responsibilities as PSNI Accounting Officer are contained in the Police (Northern Ireland) Act 2000, the DoF document Managing Public Money (NI) and the Management Statement and Financial Memorandum agreed with the DOJ.

As PSNI Accounting Officer I have responsibility for maintaining a sound system of internal control. The internal controls support the achievement of PSNI's policies, aims and objectives which are set by the Northern Ireland Policing Board (NIPB), while also safeguarding the public funds and assets for which I am personally responsible as Accounting Officer. This responsibility is undertaken in accordance with the requirements of the DoF document Managing Public Money (NI).

PSNI is committed to providing for staff an environment that is, as far as is reasonably practicable, safe and free from risk to health. Policing in Northern Ireland is both exceptional and unique. This is reflected in the health and safety approach necessary when considering "suitable and sufficient" control measures and the associated safe systems of work in order to provide an effective frontline service delivery to the community whilst still complying with the statutory obligations on PSNI.

### **The PSNI Governance Framework**

The governance structure of PSNI reflects our unique statutory position, balancing the need for appropriate controls and oversight, while preserving the operational independence of the role of Chief Constable. This balance is recognised in the Police (Northern Ireland) Act 2000, and the Management Statement and Financial Memorandum issued by the DOJ.

It is essential that PSNI is seen to uphold the highest standards in its own operations and, for this purpose, I am held to account on a regular basis by the NIPB. The NIPB is a statutory non departmental public body consisting of ten locally elected political representatives and nine independent members, to whom I have statutory responsibilities. The NIPB plays a key role in the accountability framework for policing in Northern Ireland.

I recognise that the governance structures for PSNI set out within the Police (Northern Ireland) Act 2000, incorporating the oversight functions of the NIPB and PSNI as two separate but linked organisations, are unique and not replicated for any other public sector body. Where the requirements of the Act and the Corporate Governance Code differ, PSNI will always seek to comply with the Act, which reflects the wishes of the Assembly. I have assessed the PSNI governance arrangements against the Governance Code and found that NIPB and PSNI arrangements when taken together comply with the code to the extent that it is relevant and meaningful.

## Governance Statement (Continued)

### Police Pensions Scheme framework

The DoJ is the Regulatory Authority and is responsible for setting the benefits to be provided by the Schemes, amending regulations as necessary and making the policy decisions in relation to the operation of the Schemes.

Given the Board's role in policing and particularly in managing police pensions, the NIPB is the PSNI Pension Schemes Manager. As Scheme Manager, NIPB is responsible for ensuring the accurate management of benefits and provision of information to members in line with the Schemes rules. NIPB has delegated these functions to PSNI to carry out on their behalf.

PSNI Financial Services therefore carries out the day to day running of the Schemes, including the collection and allocation of contributions and payment of benefits.

The Police Pensions Board, established to assist the Scheme Manager, ensures compliance with regulations, legislation relating to the governance and administration of the Schemes and requirements imposed by the Pensions Regulator. The Board met four times during the 2022-23 year. The Police Pensions Board Members during the year are set out below.

Role	Name
Chair	Michael Burton
Employer Representative – NIPB	Amanda Stewart <sup>1</sup>
Employer Representative – NIPB	Sinead Simpson <sup>2</sup>
Employer Representative – NIPB	Aislinn McGuckin
Employer Representative – PSNI	Hannah Francis <sup>3</sup>
Employer Representative – PSNI	Alison McClune <sup>4</sup>
Employee Representative – Police Federation NI	Liam Kelly
Employee Representative – Superintendent's Association NI	Ian Magee <sup>5</sup>
Employee Representative – Chief Police Officers Staff Association	ACC Mark McEwan
Independent Member	Brian Quinn

<sup>1</sup> This Board member resigned on 1 October 2021

<sup>2</sup> This Board member was appointed on 4 October 2021

<sup>3</sup> This Board member was appointed on 1 March 2022 and resigned from the PSNI on 2 January 2023

<sup>4</sup> This Board member was appointed in January 2023

<sup>5</sup> This Board member was appointed on 7 March 2022

The Scheme Advisory Board (SAB) provides advice to the DoJ, as the Regulatory Authority, on the desirability of making changes to the Schemes. The SAB also provides advice and guidance to the Scheme Manager and Police Pensions Board in relation to the effective and efficient administration and management of the Schemes.

## **Governance Statement (Continued)**

### **PSNI Leadership Team**

As Chief Constable, I am supported by the Service Executive Team (SET), which is the PSNI Senior Management Team, consisting of a Deputy Chief Constable, Chief Operating Officer and Assistant Chief Constables/Officers. Details of the current SET are available within the main PSNI Annual Report and Accounts.

### **Governance Structure**

The leadership team meets formally each month as the Strategic Management Board (SMB) to provide executive management and governance to the operations and delivery of the PSNI. The SMB consists of PSNI Service Executive Team. In addition the Non-Executive Chair of the Audit and Risk Assurance Committee (ARAC) supported by a Non-Executive Member on a rotation basis also attend as observers. SMB is supported in its work by a number of other governance boards.

The SMB provided strategic direction for PSNI over the period.

The ARAC consists entirely of independent members, chaired by an independent Chairperson with three other independent members, and is compliant with the National Audit Office Audit Committee Self-Assessment Checklist, and the “HM Treasury Audit Committee Handbook”.

ARAC met four times during 2022-23, providing me with assurance on issues of internal control, governance and risk. The Committee is informed from a number of sources, one being the Head of Internal Audit who issues an independent opinion on the adequacy and effectiveness of PSNI’s system of internal control.

Based on the work completed by Internal Audit, with the exception of those assignments which have received a “limited” assurance rating, a ‘Satisfactory’ level of assurance has been provided by Internal Audit in relation to governance risk management and control.

Appropriate action is taken by PSNI to address issues where a “limited” or “unacceptable” assurance levels have been issued by Internal Audit, and where issues of a Priority 1 and / or a Priority 2 nature (using the prioritisation matrix for Internal Audit recommendation as classified by the DoF) have been raised.

### **Risk and Control Framework**

The SET and SMB assess how the achievement of our policies, aims and objectives might be affected by the risks we face, and the internal control framework is designed to mitigate those risks. The framework has been in place across 2022-23. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, and it therefore provides reasonable rather than absolute assurance of effectiveness.

## **Governance Statement (Continued)**

The internal control framework, which accords with DoF guidance seeks to reflect best practise, is an ongoing live process identifying and prioritising the risks to the achievement of organisational policies, aims and objectives. I have put in place arrangements to ensure that a proper evaluation of the balance of the cost of control and the risk encountered is part of the PSNI decision making process. The internal control systems ensure that PSNI's assets and resources are utilised with regard to the overall value for money to public funds.

Within PSNI we manage our business with a view to the risks we face, using appropriate control systems. This process is embedded in how we undertake our responsibilities and includes clearly defined policies and processes, effective financial management and the identification and management of risks.

Risk is managed on an ongoing basis through the SMB and ARAC. The Corporate Risk Register is managed continually and all risks are reviewed to ensure that the ratings and content reflects the current situation. Three new risks were escalated to the Corporate Risk Register during the period. All the risks were reviewed in the reporting period and a number were rewritten. There are currently eight risks on the Corporate Risk Register, with each one managed by a member of the SET.

To ensure that we continue to respond to our changing environment, PSNI's strategic objectives are translated to our operations through working towards meeting the Northern Ireland Policing Plan, and by clearly defined accountabilities over the delivery of outputs and outcomes.

We continue to refine management information and business reporting to provide SMB and the NIPB with appropriate and timely management information to allow them to identify and respond to emerging risks.

## **Risk Management**

Risk management is high on the business agenda and we manage risks in a structured manner. Consideration and mitigation of risk is crucial to the effectiveness of the system of internal control. The system of internal control is designed to maintain risk at a manageable level, based on risk appetite agreed by the SET to provide an acceptable level of assurance. Risk appetite will vary according to the perceived importance of the risks and their timing.

It is important that risks are managed at the appropriate level within the organisation. If a risk is considered sufficiently serious or wide ranging that it may impact on the wider organisation then it should be escalated with the next level of authority for consideration. Likewise risks can be for de-escalation when the residual risk rating is at the tolerable level.



## **Governance Statement (Continued)**

Policies and instructions on PSNI service delivery and organisational management are developed, reviewed and communicated to staff through training and a variety of internal communications platforms. Adherence to service policies is expected of staff and process failures can lead to recommendations re content review, training and/or discipline.

All Chief Officers and Senior Managers together with ARAC have provided leadership to the risk management process throughout the reporting period. In addition the Corporate Risk Manager provides guidance and support across the organisation to enable all staff to manage risk.

PSNI has a newly reviewed Risk Management Service Instruction which describes the various roles and responsibilities of relevant positions within PSNI. The monitoring and reporting of risk management arrangements are included in the Service Instruction. We continue to make cultural changes and improvements to help ensure that effective risk management is integrated in the way we lead, direct, manage and operate our organisation. PSNI's newly published instructions are fully cognisant of the principles and concepts outlined in The Orange Book.

Whilst risk management is embedded into the organisation, there is an issue with resilience resulting from the financial challenges. All Departments actively manage their individual risk registers and all have a common theme and link through to the PSNI vision and purpose of keeping people safe.

The Corporate Risk Register is managed by the Corporate Risk Manager and captures significant risks facing the organisation. The Risk Register is reviewed on a monthly basis by SMB which is responsible for approving changes. Changes to the register ratified by SMB and reported to each ARAC meeting. The effectiveness of the risk management process is reported twice a year to SMB and ARAC.

Stewardship reporting is a key assurance control for the accountability, ownership and management of risks throughout PSNI. All Senior Officers and Staff provide a statement of risk management assurance twice per year confirming they have reviewed the risks within their area of responsibility and assessed the management of the risks identified. This is part of a hierarchy of stewardship reporting from Heads of Departments and from ACC/ACOs through to the Stewardship Statement I provide to the Department of Justice at six monthly intervals.

Processes to manage operational risks incorporate those risks identified through the operation of the strategic tasking and coordinating process. Strategies for each priority are aligned with the actions necessary to manage the identified risk.

## **Governance Statement (Continued)**

The ARAC, which consists of non-executive members, provides me with assurance that effective risk management, governance and control arrangements are in place. ARAC receives regular risk management updates, along with reports from internal and external audit. DOJ, NIPB and NIAO have standing invitations to attend the meetings of ARAC as observers, and also contribute to the business at the committee.

Any risks relating to the Police Pension Schemes are managed in accordance with the Corporate Framework.

## **Statement of Information Risk**

Together with the officers and staff of the PSNI, I have privileged access to data and information to support the discharge of the policing function and ensure that the work undertaken by the Service is factual, accurate and complete.

The Service adopts the principles of the Cabinet Office's Security Policy Framework and complies with National Police Chiefs' Council policy and guidance on information assurance and the management of police information. The Police Digital Service Cyber Team confirmed on 12 August 2022 that, following their review of PSNI's submission of a Governance and Information Risk Return (GIRR), *"The Police Service of Northern Ireland (PSNI) has provided evidence that its infrastructure, as presented in the GIRR submission and other relevant security documentation, is appropriately risk managed and does not present an unacceptable risk to the police community."* and as a result a formal National Policing Community of Trust Connection Approval Certificate was granted valid until 11 August 2023. The granting of this Certificate provides evidence that the Service's infrastructure is appropriately risk managed and does not present an unacceptable risk to the wider police community. We continue to comply with the Government Security Classification Policy (GSC) for marking information assets.

Comprehensive risk assessments of our two critical corporate technical infrastructures – the Barracuda Radio Network and the Atlas Corporate Data Communications Network – were completed during 2022/23 and each were subject to independent IT Security Health Checks (ITSHC) under the auspices of the National Cyber Security Centre's CHECK Scheme. Significant additional security controls on the corporate data network are currently being planned and implemented to enhance our defences against an increasing and persistent cyber threat. The Network Defence Security Group is now embedded, featuring key stakeholders and business representatives, to oversee our response to this increasing threat. The Group's remit seeks to take action to address the five key incident management steps of 'Identify – Prevent – Detect – Respond – Recover.'

## **Governance Statement (Continued)**

Assistant Chief Constable Operational Support Department fulfils the role of PSNI Senior Information Risk Owner (SIRO) and is supported by dedicated and suitably qualified, experienced Information Security and Records Management Units. Strategic Business Owners (Information Asset Owners) at Strategic Management Board level, supported by a well-established network of Operational Business Owners (OBOs) at individual system level, oversee all of the information assets held by the Service.

At 21 February 2023, 87 PSNI operational information systems running on the corporate network infrastructure were accredited; 6 accreditations had lapsed and are currently under review with the respective Operational Business Owner; and, risk management activities for 16 major ICT projects in development were being supported.

Reports on the activities of the Information Security and Records Management Units, including the accreditation status of all the Service's corporate information systems, are presented to the Information Governance Delivery Group (IGDG) quarterly with incremental reports to the SIRO on a monthly basis via a Performance Dashboard. In addition, reports and presentations on progress towards implementation of both the Records Management and Information & Cyber Security Strategies are delivered to the PSNI ARAC on request.

The Service Policy on Information Management is supported by Service Instructions on Records Management and Information Security, including 33 technical security standards. The PSNI Risk Appetite Statement covering all our information assets was updated and approved by IGDG on 21 February 2023. A review and update of the PSNI Record Review Retention and Disposal (RRD) Schedule, including consultation with the Department for Communities and Public Records Office (NI), is currently in progress. This will refresh the current legal RRD instrument which was approved by the Northern Ireland Assembly on 7 October 2020.

In the past year the Service has conducted a comprehensive programme of both information security and records management education & awareness training, featuring eighteen Service-wide communiques focused on topics such as remote working with PSNI information assets; email security and the threat of 'phishing'; document security; good practice in records keeping; and, password guidance. Articles on information security and records management have appeared prominently on our Intranet pages. We have produced two educational eLearning packages in collaboration with the Police College and regularly present staff and officer induction presentations to reinforce the messages of good cyber security hygiene and best practice in records management. All of these initiatives will continue in the future. Our information security and records management-related Service Instructions and Standards are regularly reviewed to take account of changes to working practices, legislative obligations and the evolving threat.

## **Governance Statement (Continued)**

The Vision Statement in the current PSNI Information & Cyber Security Strategy seeks to create a culture that is embedded across the Service which enables the effective use of information to support our strategic policing aims. It supports our overarching intention of 'Keeping People Safe by Keeping Information Safe' in addressing five key strategic themes:

- Enhancing proportionate and affordable risk management activities.
- Continuing to embed a culture of personal responsibility and accountability.
- Supporting digital innovation and transformation of services – 'Innovation Empathy.'
- Ensuring safe and secure collaboration across an evolving cyber threat landscape.
- Meeting National Policing obligations.

The PSNI Records Management Strategy, "From Uncertainty To Clarity ... The Service Vision for Records Management" aims to prioritise a comprehensive records management culture across the Service, establishing the effective and efficient use of records to support strategic policing aims:

- We will understand what records we hold, where those records are, how long we require to retain the records and how we will keep them secure.
- Ownership of all records will be clear across all business units and we will meet our legislative and regulatory obligations for records management.
- We will provide infrastructures both digital and estates capable of storing all required hard copy and electronic records for the periods specified within the Service retention and disposal schedule.
- We will effectively manage all records through their life cycle in an effective and efficient manner including regular review and embedding records management principles by design in new systems and processes.
- Records Management principles will be understood by all staff and officers and we will embed a culture of personal responsibility and accountability.
- Archived records will be preserved.

In October 2022, PSNI successfully delivered a 10-point Action plan agreed with the Information Commissioner to eradicate backlogs in handling of FOI and Data Protection Requests. Through 2019 and 2020, PSNI had encountered significant difficulties in meeting our legal obligations to respond to Freedom of Information and Data Protection requests within statutory timescales, chiefly because of resourcing challenges. This led to a backlog of requests, increased complaints to the Information Commissioner and adverse media coverage. The Police Service engaged directly with the Information Commissioner's Office (ICO) on this matter and was placed on a period of enforcement monitoring. PSNI was asked to provide a formal plan to eradicate the backlogs and improve compliance by responding to more than 90% of all requests received on time.

## **Governance Statement (Continued)**

This is the rate the ICO sets for all public authorities to achieve in the handling of FOI and Data Protection requests. In October 2021, an Action Plan was agreed with the ICO and the risk to service delivery captured on the Corporate Risk Register.

A 'Gold' group was established to oversee the delivery of the Action Plan and assume responsibility for removing the backlog of information requests and securing the long-term sustainability of the service. PSNI has provided monthly progress reports to the Information Commissioner met throughout this period.

PSNI has met its Action Plan targets with its backlog eradicated and 90% compliance rate achieved and sustained since July 2022. Work is ongoing to implement six agreed strategic recommendations aimed at ensuring longer-term resilience of PSNI's request handling function, which will continue to be monitored by the Gold Group, chaired by the Chief Superintendent in Operations Support Department.

On 2 February 2023, the ICO published a report into publication schemes. Section 19 of the Freedom of Information Act 2000 requires all public authorities to make available and proactively publish certain classes of information in a 'publication scheme'. The ICO has set out sectoral specific 'definition documents' for what they expect a public authority to make available on their websites. A publication scheme helps a public authority signpost a requester to information already made available by them, prevents escalation of complaints to the ICO and encourages proactive publication of information that is in the public interest and safe to disclose.

The report published by the ICO includes an analysis of a snapshot of compliance of 200 public authorities from across 10 sectors in the UK. The report identified issues of non-compliance and made recommendations to help support public bodies more ably comply with this area of the law. The ICO used each authority's website to establish whether it was maintaining a publication scheme and whether it was publishing the information, it would expect. PSNI was the best performing police service in this analysis and is included as a case study of good practice within this report.

PSNI wish to build on the findings detailed this report and work is being taken forward by PSNI's Operations Support Department to help identify and publish more information proactively.

## **Personal Data Related Incidents**

As PSNI Accounting Officer, I have responsibility for ensuring the security of personal data and to respond if there has been a breach or potential breach of the UK General Data Protection Regulation (GDPR).

No personal data incidents in relation to the Police Pension Schemes have been recorded for 2022-23.

## **Governance Statement (Continued)**

### **Review of Effectiveness**

As the PSNI Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control.

My review is informed by the work of the SET within the organisation who have responsibility for the development and maintenance of the internal control framework, and the work undertaken by the Internal and External Auditors during the reporting period. Two relevant Internal Audit reviews were carried out during the 2022-23 financial year on Pensions Processes and Police Payroll both receiving a satisfactory level of assurance.

### **Actuarial Assumptions**

The actuarial liability included in the accounts at 31 March 2023 has been calculated using financial assumptions at 31 March 2023, with membership data as at 31 March 2020 rolled forward with reference to cash flows. The mortality assumptions used are in line with 2020-based national population projections published by the Office of National Statistics. The remaining demographic assumptions adopted are in line with those used for the 2020 funding valuation that is currently being finalised.

### **Significant Internal Control Issues**

I am able to report that there were no significant weaknesses in the PSNI's system of internal controls in 2022-23 which affected the achievement of the PSNI's Pension Schemes key policies, aims, and objectives. I have received assurances from individual Chief Officers in relation to their Departments and any issues related to the pension Schemes, and regularly review management reports from the "Overview" system that monitors organisational progress on review recommendations accepted by management. Internal Audit has also provided me with assurance in relation to risk management, the operational effectiveness of internal control systems, and in relation to governance arrangements. No specific areas of concern were noted by Internal Audit in their Annual Assurance Statement relating to the Police Pension Schemes.

No ministerial directions were received during the year.

There are a number of other sources from which I draw assurance on the system of internal control. These include the work of those independent external bodies which provide a challenge function to the work of the PSNI including:

The Northern Ireland Policing Board  
The Department of Justice  
Northern Ireland Audit Office  
Her Majesty's Treasury  
The Criminal Justice Inspectorate of Northern Ireland  
Her Majesty's Inspectorate of Constabulary  
Human Rights Commission  
The Pensions Regulator

**Governance Statement (Continued)**

Any issues of control weaknesses, identified from reviews carried out by these independent bodies in 2022-23, have been considered and action taken with progress on actions outstanding monitored through the "Overview" system. There were no issues noted relating to the PSNI Pension Schemes. There are no outstanding actions relating to the pension Schemes at the end of the year.

The SMB continues to keep its internal control arrangements under review in response to internal and external developments. The SMB is independently advised by ARAC which meets throughout the year, and reports through its annual report, and regular meetings between the independent Chair of ARAC and the Chief Operating Officer.

Internal Audit submits regular reports on the management of key business risks, and the effectiveness of the system of internal control, making recommendations for improvement where appropriate. This is formally reported to ARAC at each meeting.

**Accounting Officer's Statement of Assurance**

I have considered the assurances provided by PSNI Senior Officers, the Audit and Risk Assurance Committee, Internal Audit, External Audit and external scrutiny bodies.

As Accounting Officer of the PSNI Pension Schemes, I am satisfied with the overall effectiveness of the system of internal control and am content that adequate plans exist to address any weaknesses and to ensure continuous improvement.

**Other Assembly Accountability Disclosures****LOSSES AND SPECIAL PAYMENTS****Losses Statement**

	<b>2022-23</b>	<b>2021-22</b>
<b>Total number of losses</b>	3	6
<b>Total value of losses (£000)</b>	4	8

There were no individual losses of over £250,000.

There were no special payments made by the Schemes in 2022-23.



**Simon Byrne**  
**Chief Constable**  
**Police Service of Northern Ireland**  
**4 July 2023**



## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

### **Opinion on financial statements**

I certify that I have audited the financial statements of the Police Service of Northern Ireland – Police Pension Schemes (“the Scheme”) for the year ended 31 March 2023 under the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. The financial statements comprise the Combined Statement of Comprehensive Net Expenditure, Combined Statement of Financial Position, the Combined Statement of Changes in Taxpayers' Equity, the Combined Statement of Cash Flows and the related notes including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the 2022-23 Government Financial Reporting Manual (FReM) issued by the Department of Finance.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the scheme's affairs as at 31 March 2023 and of its net expenditure for the year then ended; and
- have been properly prepared in accordance with the relevant provisions of the 2022-23 Government Reporting Manual (FReM) issued by the Department of Finance as applied by the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 and Department of Justice directions issued thereunder.

### **Opinion on regularity**

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

### **Basis for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and have fulfilled our other ethical responsibilities in accordance with these requirements. I

believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the Scheme's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Chief Constable with respect to going concern are described in the relevant sections of this report.

### **Other Information**

The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in that report as having been audited and my audit certificate and report. The Chief Constable is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with the relevant provisions of the 2022-23 Government Reporting Manual (FReM) issued by the Department of Finance as applied by the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 and Department of Justice directions issued thereunder; and

- the information given in the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the Scheme and its environment obtained in the course of the audit, I have not identified material misstatements in the Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

### **Responsibilities of the Chief Constable for the financial statements**

As explained more fully in the Statement of Chief Constable's Responsibilities, the Chief Constable is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring the annual report is prepared in accordance with the applicable financial reporting framework;
- such internal controls as the Chief Constable determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable anticipates that the services provided by the Scheme will not continue to be provided in the future.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and

are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010;
- making enquires of management and those charged with governance on the Scheme's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: management override of controls;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:
  - performing analytical procedures to identify unusual or unexpected relationships or movements;
  - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;

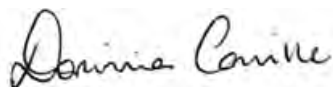
- assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
- investigating significant or unusual transactions made outside of the normal course of business.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

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

## **Report**

I have no observations to make on these financial statements.



*Dorinnia Carville*  
*Comptroller and Auditor General*  
*Northern Ireland Audit Office*  
*106 University Street*  
*BELFAST*  
*BT7 1EU*

*6 July 2023*

# Financial Statements

## Combined Statement of Comprehensive Net Expenditure for the year ended 31 March 2023

	<u>Note</u>	<b>2022-23</b> <b>£000</b>	2021-22 £000
<b>Income</b>			
Contributions Receivable	3	<b>138,073</b>	133,214
Transfers In	4	<b><u>1,549</u></b>	<u>1,980</u>
		<b><u>139,622</u></b>	<u>135,194</u>
<b>Expenditure</b>			
Service Costs	5	<b>(256,290)</b>	(293,590)
Transfers In	7	<b>(1,549)</b>	(1,980)
Pension Financing Costs	8	<b><u>(187,010)</u></b>	<u>(142,980)</u>
<b>Gross expenditure</b>		<b><u>(444,849)</u></b>	<u>(438,550)</u>
<b>Net Expenditure</b>		<b><u>(305,227)</u></b>	<u>(303,356)</u>
<b>Other Comprehensive Net Expenditure</b>			
Pension Re-measurements			
Actuarial gain/(loss)	13.7	<b><u>4,525,380</u></b>	<u>(496,460)</u>
<b>Total Comprehensive Net Income/(Expenditure) for the year</b>		<b><u>4,220,153</u></b>	<u>(799,816)</u>

The notes on pages 41 to 65 form part of these accounts.

**Combined Statement of Financial Position**  
**as at 31 March 2023**

	<u>Note</u>	31 March 2023 £000	31 March 2022 £000
<b>Non-current assets:</b>			
Receivables	11	<u>64</u>	<u>91</u>
<b>Current assets:</b>			
Receivables	11	230	1,332
<b>Current liabilities:</b>			
Payables (within 12 months)	12	<u>(11,298)</u>	<u>(13,464)</u>
<b>Net current liabilities, excluding pension liability</b>		<b><u>(11,068)</u></b>	<b><u>(12,132)</u></b>
<b>Non-current liabilities</b>			
Payables (after 12 months)	12	(64)	(91)
Pension Liability:			
Closed Scheme	13.2	<b>(6,824,385)</b>	(10,115,695)
New Scheme	13.3	<b>(314,531)</b>	(616,131)
CARE Scheme	13.4	<b><u>(567,188)</u></b>	<u>(1,352,888)</u>
<b>Net liabilities including pension liabilities</b>		<b><u>(7,717,172)</u></b>	<b><u>(12,096,846)</u></b>
<b>Taxpayers' Equity:</b>			
General Fund		<b><u>(7,717,172)</u></b>	<b><u>(12,096,846)</u></b>

The accounts on pages 37 to 65 were approved and authorised by the PSNI on 4 July 2023 and were signed on its behalf by:



**Simon Byrne**  
**Chief Constable**  
**Police Service of Northern Ireland**  
**4 July 2023**

The notes on pages 41 to 65 form part of these accounts.



## Combined Statement of Changes in Taxpayers' Equity for the year ended 31 March 2023

	2021-22 £000
<b>Balance at 31 March 2021</b>	<b>(11,442,498)</b>
Grant from Parent Department	145,468
Net Expenditure for the Year	<b>(303,356)</b>
Actuarial Loss	<b><u>(496,460)</u></b>
<b>Net Change in Taxpayers' Equity</b>	<b><u>(654,310)</u></b>
<b>Balance at 31 March 2022</b>	<b><u>(12,096,846)</u></b>
	2022-23 £000
<b>Balance at 31 March 2022</b>	<b>(12,096,846)</b>
Grant from Parent Department	159,521
Net Expenditure for the Year	<b>(305,227)</b>
Actuarial gain	<b><u>4,525,380</u></b>
<b>Net Change in Taxpayers' Equity</b>	<b><u>4,379,674</u></b>
<b>Balance at 31 March 2023</b>	<b><u>(7,717,172)</u></b>

The notes on pages 41 to 65 form part of these accounts.

## Combined Statement of Cash Flows for the year ended 31 March 2023

	<u>Note</u>	2022-23 £000	2021-22 £000
<b>Cash Flows from Operating Activities</b>			
Net expenditure for the year		<b>(305,227)</b>	(303,356)
<i>Adjustments for Non-cash transactions</i>			
Decrease / (Increase) in Receivables - non-current assets	11	<b>27</b>	(42)
Decrease in Receivables - current assets	11	<b>1,102</b>	4,181
(Decrease) / Increase in Payables - after 12 months	12	<b>(27)</b>	42
(Decrease) in Payables - within 12 months	12	<b>(2,166)</b>	(3,973)
<i>Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
<b>Increase in pension provision - Closed Scheme</b>	13.2	<b>304,210</b>	140,620
<b>Increase in pension provision - New Scheme</b>	13.3	<b>31,910</b>	7,560
<b>Increase in pension provision - Care Scheme</b>	13.4	<b>107,180</b>	288,390
Enhancements and transfers in <b>Care Scheme</b>	13.4	<b>1,550</b>	1,980
Use of provision - pension liability <b>Closed Scheme -</b>			
Pension Payments	13.5	<b>(246,570)</b>	(235,850)
Gratuities/Commutations	13.5	<b>(47,980)</b>	(43,210)
Payments to and on account of leavers	13.6	-	(290)
<b>New Scheme -</b>			
Pension Payments	13.5	<b>(220)</b>	(140)
Gratuities/Commutations	13.5	<b>(390)</b>	(270)
Payments to and on account of leavers	13.6	-	-
<b>Care Scheme-</b>			
Pension Payments	13.5	<b>(550)</b>	(320)
Gratuities/Commutations	13.5	<b>(2,140)</b>	(660)
Payments to and on account of leavers	13.6	<b>(230)</b>	(130)
<b>Net Cash outflow from Operating Activities</b>		<b>(159,521)</b>	(145,468)
<b>Cash flows from Financing Activities</b>		-	-
<b>Net Financing through Grant from Parent Department</b>		<b>159,521</b>	<b>145,468</b>
<b>Net Increase/(Decrease) in Cash and cash equivalents in the period</b>		-	-
<b>Cash and cash equivalents at the beginning of the period</b>		-	-
<b>Cash and cash equivalents at the end of the period</b>		-	-

The notes on pages 41 to 65 form part of these accounts.

## Notes to the Accounts

### 1. Basis of preparation of the Pension Accounts

The PSNI Pension Accounts have been prepared in accordance with the relevant provisions of the 2022-23 Government Financial Reporting Manual (FReM) issued by the DoF. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS 19 Employee Benefits and IAS 26 Accounting and Reporting by Retirement Benefit Plans are of particular relevance to these accounts. These accounts show the unfunded pension liabilities and movements in those liabilities during the year. The accounts also have regard to the recommendations of the Statement of Recommended Practice (SORP) Financial Reports of Pension Schemes to the extent that these are appropriate, together with section 12-(3) of the Police (Northern Ireland) Act 2000 as amended by section 7-(4) of the Police (Northern Ireland) Act 2003 and the Northern Ireland Act 1998 (Devolution of Policing Functions) 2010 and the Accounts Direction from the DOJ.

The PSNI Pension Schemes (the Scheme) are contracted out, unfunded, defined benefit pay-as-you-go occupational pension schemes operated by the PSNI on behalf of members of the PSNI who satisfy the membership criteria.

Contributions to the Schemes by employers and employees are set at rates determined by the Scheme's Actuary and approved by DOJ. The contributions partially fund payments made by the Scheme, the balance of funding being provided by DOJ through the annual Supply Estimates process. The administration expenses associated with the operation of the Scheme are borne by PSNI and reported in the PSNI Main accounts.

The accounts summarise the transactions of the Closed Police Pension Scheme, the New Police Pension Scheme and the CARE Scheme. The Combined Statement of Financial Position shows the deficits on each scheme; the Statement of Comprehensive Net Expenditure shows the total of the movements from each scheme liability analysed between the pension cost, enhancements and transfers in, and the interest on the scheme liability. The reference to 'Combined' in the accounts relates to the consolidation of financial results for the three police schemes. The actuarial position of each pension scheme is dealt with in the Report of the Actuary starting on page 12, and the Pension Accounts should be read in conjunction with that report.

### 2. Statement of accounting policies

The accounting policies contained in the FReM follow International Financial Reporting Standards to the extent that it is meaningful and appropriate to the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be 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.

## **Notes to the Accounts (Continued)**

### **2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

The Statement of Financial Position at 31 March 2023 shows net liabilities of £7.72bn (2021-22: £12.10bn). This reflects the inclusion of liabilities falling due in future years which are to be financed by drawings from the Northern Ireland Consolidated Fund. Such drawings will be from grants in aid approved annually by the Northern Ireland Assembly, to meet the Net Cash Requirement of the DOJ which funds the PSNI Pension Scheme. Under the Government Resources and Accounts Act NI 2001, no money may be drawn from the Fund by DOJ other than that required for the service of the specified year or retained in excess of that need.

There is no reason to believe that these future approvals will not be forthcoming for the pension schemes for the foreseeable future. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the PSNI's Police Pension Accounts for 2022-23.

### **2.2 Contributions receivable**

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

Employer's special pension 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 which exclude amounts paid in respect of the purchase of added years and Additional Voluntary Contributions are accounted for on an accruals basis.

Employees' contributions paid 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.

### **2.3 Grant from Parent Department**

Grant income in respect of the shortfall of income over expenditure is credited to the General Fund in accordance with guidance contained in the FReM.

### **2.4 Early Retirement**

Contributions received from the employer in relation to the early retirement of Police Officers on ill health grounds were £9,444k in 2022-23 (2021-22 £6,716k). See note 3. The process for decisions on ill health retirements is managed by the Northern Ireland Policing Board.

Contributions are based on an officer's final salary and are accounted for on an accruals basis.

## Notes to the Accounts (Continued)

### 2.5 Transfers in and out

Transfers in are normally accounted for as income and expenditure (representing the associated increase in the Scheme liability) on a cash basis, although group transfers in may be accounted for on an accruals basis where the Schemes have formally accepted or transferred a liability.

### 2.6 Other income

Other income, including refunds of gratuities and overpayments recovered other than by deduction from future benefits, is accounted for on an accruals basis. To the extent that this income also represents an increase in the Scheme liability, it is also reflected in expenditure.

### 2.7 Current service cost

The current service cost is the increase in the present value of the Scheme liabilities arising from current members' service in the current period and is recognised in the Combined Statement of Comprehensive Net Expenditure. The current service cost is based on a standard contribution rate of 96.3% of pensionable pay in the CARE Scheme 2015, as determined at the start of 2022-23.

### 2.8 Past service costs

Past service costs are increases in the present value of the Scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits. Where the improvements to pension benefits result in the backdating of commutation awards these costs are measured and reflected immediately in the Combined Statement of Comprehensive Net Expenditure.

A past service cost was initially recognised in the 2018-2019 year reflecting the extension of the interim solution regarding guaranteed minimum pension (GMP) indexation and the potential impact of the McCloud/Sargeant ruling. The past service cost was reduced in 2019-20 due to clarification of the proposed changes (subject to consultation).

A further past service cost was recognised in the 2019-20 year in respect of the additional liabilities for members reaching State Pension age after 6 April 2021 reflecting a further extension of the anticipated solution regarding GMP equalisation and indexation. No additional past service cost has been recognised for 2022-23.

The McCloud remedy window ran from 1 April 2015 to 31 March 2022. As the remedy window has closed, all McCloud related liabilities for eligible members for the period 2019 to 2022 have been moved to the associated legacy schemes. This means all McCloud liabilities are held within the legacy scheme where benefits are expected to be paid from, creating past service cost movement between the schemes.

## Notes to the Accounts (Continued)

### 2.9 Enhancements

Any enhancements to pensions, including on departure or retirement, are measured and reflected immediately in the Combined Statement of Comprehensive Net Expenditure. There have been no enhancements to Police Pensions for 2022-23.

### 2.10 Interest on Scheme liabilities

The interest cost is the increase during the period in the present value of the Schemes liabilities because the benefits are one period closer to settlement and is recognised in the Combined Statement of Comprehensive Net Expenditure. The interest cost is based on the discount rate applicable at 1 April 2022 of (1.35) % (i.e. 1.55% including CPI inflation).

### 2.11 Other payments

Other payments are accounted for on an accruals basis.

### 2.12 Scheme liabilities

Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liability is measured on an actuarial basis using the projected unit method and is discounted at a rate of 1.75% real (i.e. 4.15% including CPI inflation). The Scheme applies assumptions for the discount rate and the rate of inflation as prescribed by HM Treasury.

Full actuarial valuations by a professionally qualified actuary are required at intervals not exceeding four years in accordance with the requirements of the Government Financial Reporting Manual (FReM). In the intervening periods the actuary reviews the most recent actuarial valuation at the reporting date and updates it to reflect current conditions.

FReM stipulates that approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. The Scheme liability recognised in these financial statements has been calculated utilising membership data as at 31 March 2020 and demographic assumptions in line with those recommended for the 2020 funding valuation as at 31 March 2020. Membership data has subsequently been rolled forward using cashflows as a proxy for membership movements through to 31 March 2023. These assumptions represent significant judgements on behalf of the Scheme. Whilst this approach is reasonable and provides an appropriate basis for IAS 19 valuation purposes in accordance with FReM requirements, it introduces some degree of uncertainty.

## **Notes to the Accounts (Continued)**

It should therefore be recognised the results for the IAS 19 valuation at 31 March 2023 included in these financial statements may differ from those that would emerge from a full funding valuation at the same date.

### **2.13 Pension benefits payable**

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

### **2.14 Pension payments to those retiring at their normal retirement age**

Where a retiring member of either 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 either 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.

### **2.15 Pension payments to and on account of leavers before their normal retirement age**

Where a member of either pension Scheme is entitled to only a refund of contributions, the transaction is accounted for as a decrease in the scheme liability on an accruals basis. Where a member of either pension Scheme 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.

### **2.16 Injury benefits**

Injury benefits are accounted for in the PSNI Main Financial Statements.

### **2.17 Lump sums payable on death in service**

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

### **2.18 Actuarial gains and losses**

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Combined Statement of Financial Position date are recognised in the Combined Statement of Comprehensive Net Expenditure for the year.

## Notes to the Accounts (Continued)

### 2.19 Additional voluntary contributions

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

### 2.20 Administration Expenses

Administration expenses are borne by the PSNI Main Accounts and are excluded from these statements.

### 2.21 Receivables and Payables

Total Receivables and Payables are presented in two categories to add clarity. The categories are Non-Current Assets and Non-Current Liabilities (Payables after 12 months). Non-Current Assets relate to Pension overpayments being recouped over an agreed re-payment plan.

### 2.22 Critical accounting estimates and key judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies. The Scheme continually evaluates its estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. Further information is provided in Notes 2.12 and 13. The estimates and assumptions relating to the pension liability have the most significant risk of causing a material adjustment to the carrying amounts. Further information including the assumptions underpinning the pension liability, calculation approach for the McCloud legal judgment and a sensitivity analysis is set out in Note 13.

### 2.23 Accounting standards, interpretations and amendments to published standards adopted during the year ended 31 March 2023

The PSNI has reviewed the accounting standards, interpretations and amendments to published standards that became effective during 2022-23 and which are relevant to its operations. The adoption of these standards has not had a significant impact on the financial position or results of the Police Pension Scheme Accounts.

### 2.24 Accounting standards, interpretations and amendments to published standards not yet effective

The PSNI has reviewed the additional or revised accounting standards and new (or amendments to) interpretations that are due to come into effect in future years and concludes that these are not expected to have a significant impact on the PSNI Pension Accounts going forward.



**Notes to the Accounts (Continued)****3. Contributions receivable**

	<u>Note</u>	<b>2022-23</b> £000	2021-22 £000
Employers' Contributions:			
<b>Closed Scheme</b>		<b>3</b>	6,378
<b>New Scheme</b>		<b>32</b>	501
<b>CARE Scheme</b>		<b>93,117</b>	84,657
Employees' Contributions:			
<b>Closed Scheme</b>			
Normal		<b>1</b>	2,611
<b>New Scheme</b>			
Normal		<b>4</b>	169
<b>CARE Scheme</b>			
Normal		<b>35,472</b>	32,182
Early Retirement		<u><b>9,444</b></u>	<u>6,716</u>
		<u><b>138,073</b></u>	<u>133,214</u>

£129.9 million contributions are expected to be payable to the Scheme in 2023-24.

**4. Transfers in – see note 7**

Individual transfers in from other schemes			
CARE Scheme	13.4	<u><b>1,549</b></u>	<u>1,980</u>
		<u><b>1,549</b></u>	<u>1,980</u>

## Notes to the Accounts (Continued)

### 5. Service cost

Current Service Cost	<u>Note</u>	2022-23 £000	2021-22 £000
Closed Scheme	13.2	(10)	(18,840)
New Scheme	13.3	(80)	(1,190)
CARE Scheme	13.4	<u>(256,200)</u>	<u>(273,560)</u>
		<u>(256,290)</u>	<u>(293,590)</u>
Past Service (Cost)/Gain			
Closed Scheme	13.2	(148,530)	-
New Scheme	13.3	(22,110)	-
CARE Scheme	13.4	<u>170,640</u>	-
		<u>          </u>	<u>          </u>

The McCloud remedy window ran from 1 April 2015 to 31 March 2022. As the remedy window has closed, all McCloud related liabilities for eligible members for the period 2019 to 2022 have been moved to the associated legacy schemes. This means all McCloud liabilities are held within the legacy scheme where benefits are expected to be paid from. This has led to a past service cost of £148.3m added to the Closed Scheme, and a past service cost of £22m to the New Scheme. As these liabilities are no longer held within the CARE Scheme, a past service gain of £170.6m is recognised.

### 6. Backdated Commutation

A determination by the Pensions Ombudsman was published on 15 May 2015 whereby the commutation factors provided by the Government Actuary for the period 1 December 2001- November 2006 were deemed to be incorrect. As a consequence the PSNI has been provided with revised factors by GAD and have recalculated backdated awards for increased commutations, including interest payable. The total cost of these backdated elements was finalised in 2016-17 as £31.54m and included as an expense in the 2016-17 accounts. The exercise is now complete with all payments made to affected members or their estate.

### 7. Transfers in – additional liability (see also note 4)

	<u>Note</u>	2022-23 £000	2021-22 £000
Individual transfers in from other schemes			
CARE Scheme	13.4	<u>1,549</u>	<u>1,980</u>
		<u>1,549</u>	<u>1,980</u>

## Notes to the Accounts (Continued)

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the Combined Statement of Comprehensive Net Expenditure as expenditure as part of the movement in the provision during the year.

### 8. Pension Financing Costs

		2022-23 £000	2021-22 £000
Interest charge for the year:			
Closed Scheme	13.2	(155,670)	(121,780)
New Scheme	13.3	(9,720)	(6,370)
CARE Scheme	13.4	<u>(21,620)</u>	<u>(14,830)</u>
		<u>(187,010)</u>	<u>(142,980)</u>

### 9. Administration fees and expenses

All costs of administering the PSNI Pension Schemes are borne by the PSNI, and included within the PSNI Main Financial Statements.

### 10. Additional Voluntary Contributions

The Closed Police Pension Scheme provides for officers to make additional voluntary contributions (AVC's) to increase their pension entitlements or to increase life assurance cover. Officers may arrange to have agreed sums deducted from their salaries, for onward payment to the approved provider (Utmost or Standard Life). The Managers of the Police Pension Scheme have responsibility only for onward payment by employers of officers' contributions to the Scheme's approved provider. These AVC's are not brought to account in this statement. Officers participating in this arrangement receive an annual statement from the approved provider as at 31 March confirming the amounts held to their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

	2022-23 £000	2021-22 £000
Movements in the year:		
<b>Balance at 1 April</b>	<b>892</b>	854
New investments	4	5
Sale of investments to provide pension benefits	(84)	(6)
Changes in market value of investments	<u>(51)</u>	<u>39</u>
<b>Balance at 31 March</b>	<b><u>761</u></b>	<b><u>892</u></b>
Contributions received to provide life cover	-	-
Benefits paid on death	—	—
	—	—

**Notes to the Accounts (Continued)**

There is no in-house AVC Scheme available to members of the New Police Pension Scheme or the CARE Scheme.

**11. Receivables – contributions due in respect of pensions**

	2022-23 £000	2021-22 £000
<b>Amounts falling due after 1 year:</b>		
Pension overpayments	71	127
Provision for doubtful debts	<u>(7)</u>	<u>(36)</u>
	<b><u>64</u></b>	<b><u>91</u></b>
<b>Amounts falling due within 1 year:</b>		
Pension overpayments	73	38
Amounts due from PSNI main accounts	<u>157</u>	<u>1,294</u>
	<b><u>230</u></b>	<b><u>1,332</u></b>
<b>At 31 March</b>	<b><u>294</u></b>	<b><u>1,423</u></b>

**12. Payables in respect of pensions**

	<u>Note</u>	2022-23 £000	2021-22 £000
<b>Amounts falling due within 1 year:</b>			
Amount due to PSNI main accounts		11,141	12,028
Backdated Commutation Payments	6	-	142
HM Revenue and Customs		<u>157</u>	<u>1,294</u>
		<b><u>11,298</u></b>	<b><u>13,464</u></b>
<b>Amounts falling due after 1 year:</b>			
Amounts due to PSNI main accounts		<u>64</u>	<u>91</u>
<b>At 31 March</b>		<b><u>11,362</u></b>	<b><u>13,555</u></b>

## Notes to the Accounts (Continued)

### 13. Pension liabilities

Assumptions underpinning the provision for pension liability:

The PSNI Police Pension Schemes are unfunded defined benefit Schemes. The GAD carried out an assessment of the Scheme Liabilities as at 31 March 2023. The Report of the Actuary starting on page 12 sets out the scope, methodology and results of the work the actuary has carried out.

The PSNI 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:

- Scheme membership, including age and gender profile, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the Scheme;
- income and expenditure, including details of expected bulk transfers into or out of the Scheme; and
- following consultation with the Actuary, the key assumptions that should be used to value the Scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The major assumptions used by the Actuary were:

	<b>At 31 March 2023</b>	<b>At 31 March 2022</b>	<b>At 31 March 2021</b>	<b>At 31 March 2020</b>	<b>At 31 March 2019</b>
Rate of increase in salaries	<b>3.65%</b>	4.15%	3.72%	4.10%	4.10%
Long term rate of increase in pensions	<b>2.40%</b>	2.90%	2.22%	2.35%	2.60%
Short term rate of increase in salaries	<b>3.65%</b>	4.15%	3.72%	4.10%	4.10%
Rate of CPI inflation	<b>2.40%</b>	2.90%	2.22%	2.35%	2.60%
Rate for discounting scheme liabilities	<b>4.15%</b>	1.55%	1.25%	1.80%	2.90%
Rate of CARE revaluations	<b>3.65%</b>	4.15%	3.47%	3.60%	3.85%

**Notes to the Accounts (Continued)****13. Pension liabilities (continued)****Mortality rate****Expectation of life in years of current pensioners**

At 31 March	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Males (Age 65)	<b>21.9</b>	22.1	22.0	21.9	22.7
Females (Age 65)	<b>23.5</b>	23.8	23.7	23.6	24.3

**Expectation of life in years of current active/deferred members on retirement at age stated**

At 31 March	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Males (45 year old future pensioner at age 65)	<b>23.5</b>	23.8	23.7	23.6	24.6
Females (45 year old future pensioner at age 65)	<b>25.0</b>	25.4	25.3	25.2	26.2

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The Actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the Scheme liabilities. However, the Scheme Manager acknowledges that the valuation reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the greatest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. HM Treasury advise the relevant rate each year, based on the advice of the Government Actuary's Department. The inflation assumption reflects the long-term assumption for the CPI used in Treasury forecasting. The rates are set out in the above table. Any decrease in the rate leads to a significant increase in the reported liability.

## Notes to the Accounts (Continued)

### 13. Pension liabilities (continued)

In reality, the complexity and range of assumptions underlying the calculation of the pension liability are such that a change in one financial assumption is likely to have a knock-on effect on other financial assumptions. In accordance with IAS 19 the PSNI is required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analysis, are included in the analysis of the pension liability in note 13.1. In the opinion of the Scheme Manager, the Actuary has used key assumptions that are the most appropriate for the Scheme in the light of current knowledge.

#### Analysis of the provision for pension liability

Pension scheme liabilities accrue over employees' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing each 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 occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

The value of each scheme liability included on the Combined Statement of Financial Position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to reduce the assumed rate of inflation, or the assumed rate of increase in salaries, 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 Manager accepts 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 this note. 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.

**13. Pension liabilities (continued)**

Scheme Membership data for the previous 5 years:

	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>
<b>Closed Police Pension Scheme:</b>					
Active Members	-	233	554	844	1,191
Deferred Members	<b>1,019</b>	1,088	1,124	1,164	1,121
Pensioners in Payment Members	<b>14,266</b>	14,341	14,159	14,014	13,818
Pensioners in Payment Dependents	<b>2,165</b>	2,131	2,059	2,011	1,972
Compensation Payments	-	-	-	-	-
<b>New Police Pension Scheme:</b>					
Active Members	-	29	38	49	62
Deferred Members	<b>232</b>	208	206	195	181
Pensioners in Payment Members	<b>39</b>	24	18	7	3
Pensioners in Payment Dependents	<b>3</b>	3	3	3	3
<b>CARE Pension Scheme:</b>					
Active Members	<b>6,576</b>	6,597	6,226	5,836	5,295
Deferred Members	<b>288</b>	192	154	129	100
Pensioners in Payment Members	<b>396</b>	178	118	77	41
Pensioners in Payment Dependents	<b>11</b>	5	3	1	1



## Notes to the Accounts (Continued)

### 13.1 Sensitivity Analysis

Sensitivity of the defined benefit obligation to changes in the significant actuarial assumptions:

#### Closed Scheme

Change in Assumption*		Impact on DBO	
		%	£Million
Discount Rate	+0.5% a year	(7.0)%	(469)
Salary Inflation	+0.5% a year	0.5%	39
Pension Increases	+0.5% a year	7.0%	472
Life expectancy: All members and adult dependants assumed to be one year younger		2.5%	184

#### New Scheme

Change in Assumption*		Impact on DBO	
		%	£Million
Discount Rate	+0.5% a year	(13.5)%	(42)
Salary Inflation	+0.5% a year	7.5%	23
Pension Increases	+0.5% a year	8.0%	25
Life expectancy: All members and adult dependants assumed to be one year younger		2.0%	6

#### CARE Scheme

Change in Assumption*		Impact on DBO	
		%	£Million
Discount Rate	+0.5% a year	(13.5)%	(77)
Salary Inflation	+0.5% a year	0.0%	0
Pension Increases	+0.5% a year	16.0%	91
Life expectancy: All members and adult dependants assumed to be one year younger		2.0%	11

\* Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO. Doubling the changes in assumptions will produce approximately double the change in the DBO. The sensitivities show the change in assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent.

**Notes to the Accounts (Continued)****13.2 Analysis of movement in the Closed Pension Scheme liability**

	2022-23 £000	2021-22 £000
<b>Scheme Liability at 1 April</b>	<b>(10,115,695)</b>	(9,871,875)
Current Service Cost	(10)	(18,840)
Past Service Cost	(148,530)	-
Pension Financing Cost	<u>(155,670)</u>	<u>(121,780)</u>
	<u>(304,210)</u>	<u>(140,620)</u>
Benefit payments (see note 13.5)	<b>294,550</b>	279,060
Payments to and on account of leavers (see note 13.6)	-	290
Actuarial gain/(loss) (see note 13.7)	<u><b>3,300,970</b></u>	<u>(382,550)</u>
<b>Scheme Liability at 31 March</b>	<u><b>(6,824,385)</b></u>	<u>(10,115,695)</u>

**Notes to the Accounts (Continued)****13.3 Analysis of movement in the New Pension Scheme liability**

	<b>2022-23</b>	2021-22
	<b>£000</b>	£000
<b>Scheme Liability at 1 April</b>	<b>(616,131)</b>	(509,301)
Current Service Cost	<b>(80)</b>	(1,190)
Past Service Credit	<b>(22,110)</b>	-
Pension Financing Cost	<b><u>(9,720)</u></b>	<u>(6,370)</u>
	<b>(31,910)</b>	(7,560)
Benefit Payments (see note 13.5)	<b>610</b>	410
Payments to and on account of leavers (see note 13.6)	-	-
Actuarial gain/(loss) (see note 13.7)	<b><u>332,900</u></b>	<u>(99,680)</u>
<b>Scheme Liability at 31 March</b>	<b><u>(314,531)</u></b>	<u>(616,131)</u>

**Notes to the Accounts (Continued)****13.4 Analysis of movement in the CARE Pension Scheme liability**

	<b>2022-23</b>	2021-22
	<b>£000</b>	£000
<b>Scheme Liability at 1 April</b>	<b>(1,352,888)</b>	(1,049,398)
Current Service Cost	<b>(256,200)</b>	(273,560)
Past Service Gain	<b>170,640</b>	-
Pension Financing Cost	<b><u>(21,620)</u></b>	<u>(14,830)</u>
	<b>(107,180)</b>	(288,390)
Transfers In	<b>(1,550)</b>	(1,980)
Benefit Payments (see note 13.5)	<b>2,690</b>	980
Payments to and on account of leavers (see note 13.6)	<b>230</b>	130
Actuarial gain/(loss) (see note 13.7)	<b><u>891,510</u></b>	<u>(14,230)</u>
<b>Scheme Liability at 31 March</b>	<b><u>(567,188)</u></b>	<u>(1,352,888)</u>

During the year ended 31 March 2023, employee contributions represented an average of 13.3% (13.3% 2021-22) of pensionable pay. Employer contributions represented an average of 35.0% (35.0% 2021-22) of pensionable pay and are proposed to be maintained at this level for 2023-24 as directed by Government and DoF through DOJ.

**Notes to the Accounts (Continued)****13.5 Analysis of benefits paid**

	<b>2022-23</b>	2021-22
	<b>£000</b>	£000
<b>Closed Scheme:</b>		
Pension Payments	<b>246,570</b>	235,850
Gratuities/Commutations	<u><b>47,980</b></u>	<u>43,210</u>
Total benefits paid	<u><b>294,550</b></u>	<u>279,060</u>
<b>New Scheme:</b>		
Pension Payments	<b>220</b>	140
Gratuities/Commutations	<u><b>390</b></u>	<u>270</u>
Total benefits paid	<u><b>610</b></u>	<u>410</u>
<b>CARE Scheme:</b>		
Pension Payments	<b>550</b>	320
Gratuities/Commutations	<u><b>2,140</b></u>	<u>660</u>
Total benefits paid	<u><b>2,690</b></u>	<u>980</u>

**Notes to the Accounts (Continued)****13.6 Analysis of payments to and on account of leavers**

	<b>2022-23</b>	2021-22
	<b>£000</b>	£000
<b>Closed Scheme:</b>		
Refunds to members leaving service	-	<b>290</b>
Individual transfers to other Schemes	=	=
Payments to and on account of leavers	=	<b><u>290</u></b>
<b>New Scheme:</b>		
Individual transfers to other Schemes	=	=
Payments to and on account of leavers	=	=
<b>CARE Scheme:</b>		
Refunds to members leaving service	<b>110</b>	130
Individual transfers to other Schemes	<b><u>120</u></b>	-
Payments to and on account of leavers	<b><u>230</u></b>	<b><u>130</u></b>

**Notes to the Accounts (Continued)****13.7 Analysis of actuarial gain/ (loss)**

	<b>2022-23</b>	2021-22
	<b>£000</b>	£000
<b>Closed Scheme:</b>		
Experience gains/(losses) arising on the Scheme liabilities	<b>(751,750)</b>	179,130
Changes in demographic assumptions underlying the present value of the scheme liabilities	<b>88,930</b>	-
Changes in financial assumptions underlying the present value of the scheme liabilities	<b><u>3,963,790</u></b>	<u>(561,680)</u>
	<b><u>3,300,970</u></b>	<u>(382,550)</u>
<b>New Scheme:</b>		
Experience (losses) arising on the Scheme liabilities	<b>(55,220)</b>	(55,370)
Changes in demographic assumptions underlying the present value of the scheme liabilities	<b>4,480</b>	-
Changes in financial assumptions underlying the present value of the scheme liabilities	<b><u>383,640</u></b>	<u>(44,310)</u>
	<b><u>332,900</u></b>	<u>(99,680)</u>
<b>CARE Scheme:</b>		
Experience gains/(losses) arising on the Scheme liabilities	<b>(145,200)</b>	134,840
Changes in demographic assumptions underlying the present value of the scheme liabilities	<b>46,120</b>	-
Changes in financial assumptions underlying the present value of the scheme liabilities	<b><u>990,590</u></b>	<u>(149,070)</u>
	<b><u>891,510</u></b>	<u>(14,230)</u>
Total actuarial gain/(loss)	<b><u>4,525,380</u></b>	<u>(496,460)</u>

## Notes to the Accounts (Continued)

### 13.8 History of experience gain/(loss)

	2023	2022	2021	2020	2019
	£m	£m	£m	£m	£m
<b>Closed Scheme</b>					
Experience loss/gain on the scheme liabilities:					
Amount (£m)	<b>(751.75)</b>	179.13	155.24	(167.12)	314.60
Percentage of the present value of the scheme liabilities	<b>(11.02%)</b>	1.77%	1.66%	(1.77%)	3.85%
Total amount recognised in statement of changes in Taxpayers Equity					
Amount (£m)	<b>3,300.97</b>	(382.55)	(519.46)	(1,224.41)	622.42
Percentage of the present value of the scheme liabilities	<b>48.37%</b>	(3.78%)	(5.55%)	(13.0%)	7.60%
<b>New Scheme</b>					
Experience loss/gain on the scheme liabilities:					
Amount (£m)	<b>(55.22)</b>	(55.37)	7.87	(1.08)	7.89
Percentage of the present value of the scheme liabilities	<b>(17.55%)</b>	(8.99%)	1.55%	(0.24%)	2.10%
Total amount recognised in statement of changes in Taxpayers Equity					
Amount (£m)	<b>332.9</b>	(99.68)	(50.20)	(126.11)	34.81
Percentage of the present value of the scheme liabilities	<b>105.84%</b>	(16.18%)	(9.86%)	(28.0%)	9.30%
<b>CARE Scheme</b>					
Experience loss/gain on the scheme liabilities:					
Amount (£m)	<b>(145.20)</b>	134.84	(6.60)	43.99	(8.98)
Percentage of the present value of the scheme liabilities	<b>(25.60%)</b>	9.97%	(0.63%)	6.41%	(2.30%)
Total amount recognised in statement of changes in Taxpayers Equity					
Amount (£m)	<b>891.51</b>	(14.23)	(138.08)	(111.98)	19.91
Percentage of the present value of the scheme liabilities	<b>157.18%</b>	(1.05%)	(13.16%)	(16.30%)	5.00%

## 14. Financial instruments

Accounting standards require disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which PSNI is funded from the Department of Justice, the PSNI Police Pension Accounts are not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a more limited role in creating or changing risk than would be typical of listed companies.

The PSNI Pension Account relies primarily on departmental funding and is therefore not exposed to liquidity risks. It also has no material deposits, and all assets and liabilities are determined in sterling, so it is not exposed to interest rate or currency risk.



## Notes to the Accounts (Continued)

### 15. Contingent Liabilities disclosed under IAS 37

The Chief Constable of PSNI and the DOJ, along with other Police Forces currently have a number of claims lodged against them with the Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

#### McCloud/Sargeant

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In December 2018, the Court of Appeal (in the McCloud/Sargeant case) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. A written ministerial statement made by the Chief Secretary to the Treasury on 15 July 2019 set out the UK government's intention to remedy this discrimination across all public service pension schemes. HM Treasury consulted and published its proposals for the Remedy of the discrimination in January 2021.

The reformed public service schemes in Northern Ireland, including the PSNI Pension Schemes, incorporate similar age-based transitional protections. Public Service Pensions Policy and Legislation Branch in the Department of Finance, launched a consultation on 19 August 2020 which set out proposals to remedy discrimination in schemes made under the Public Service Pensions (Northern Ireland) Act 2014. The results of the consultation, to proceed with the deferred choice underpin, were published in February 2021 as set out on page 9. This approach means all eligible members will receive a choice at the point of retirement whether to take legacy or reformed scheme benefits for the period between 1 April 2015 and 31 March 2022, known as the remedy period. All public servants who continue in service from 1 April 2022 onwards do so as members of their respective reformed schemes. These proposals have been developed at the Collective Consultation Working Group, which is the recognised forum for consultation on pension policy for devolved schemes and where both public service employers and employees are represented.

Work is continuing to progress on the legislative steps required to implement the remedy. The pension liability as at 31 March 2023 includes provision for management's best estimate of the higher expected costs to implement the remedy under the latest proposals based on information currently available. Should there be any further change to the proposals, amounts recognised may need to be revised.

**Notes to the Accounts (Continued)****15. Contingent Liabilities disclosed under IAS 37 (continued)****GMP equalisation and indexation**

The Government published consultations on indexation and equalisation of Guaranteed Minimum Pensions (GMP), with the proposal being to extend the “interim solution” to those members who reach State Pension Age after 5 April 2021 (7 October 2020). A past service cost was recognised in 2019-20 for extending the equalisation to all future retirees. There was also a further court ruling on 20 November 2020 regarding GMP equalisation. The court ruled that scheme trustees are required to revisit past Cash Equivalent Transfer Values (CETVs) to ensure GMP equalisation. This may result in additional top-ups where GMP Police Pension Scheme and related schemes equalisation means that members did not receive their full entitlement. For public service pension schemes, it is expected that this ruling will be taken forward on a cross scheme basis and will require legal input. This may require revisiting past CETV cases for members with State Pension age after 5 April 2016 and who took a CETV from the scheme before CETVs were equalised.

The scope of any liability is yet to be determined as there is currently insufficient data on historic CETVs to estimate the potential impact, however it is anticipated to be a relatively small uplift for a relatively small subset of members (i.e. those who took a CETV and are in scope for a top up).

No additional costs were recognised for GMP equalisation and indexation in 2022-23 (2021-22: nil).

## **Notes to the Accounts (Continued)**

### **16. Related party transactions**

PSNI is a body of constables (as set out in the Police Act 2000), funded through the Northern Ireland Policing Board which is a Non-Departmental Public Body of the Department of Justice.

The Department of Justice is regarded as a related party. During the year the PSNI Pension Account has had a number of material transactions with the Department of Justice and other government Departments, namely the Department of Finance. These transactions relate to the funding provided to cover the shortfall of scheme payments over contributions, as shown in the statement of cash flows.

None of the Managers of the Schemes, key managerial staff or other related parties have undertaken any material transactions with any Scheme during the year.

### **17. Events occurring after the reporting period**

There have been no events after the reporting period.

The Annual Report and accounts were authorised by the Chief Constable to be issued on the 4 July 2023.

[psni.police.uk](https://psni.police.uk)

