

Department of Finance and Personnel

Superannuation and Other Allowances Resource Accounts

For the year ended 31 March 2014

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

4 July 2014



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DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

Contents	Page
Report of the Managers	2
Statement of the Actuary	12
Statement of Accounting Officer’s Responsibilities	16
Governance Statement	17
The Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly	25
Statement of Assembly Supply	27
Notes to the Statement of Assembly Supply	28
Combined Statement of Comprehensive Net Expenditure	31
Combined Statement of Financial Position	32
Combined Statement of Changes in Taxpayers’ Equity	33
Combined Statement of Cash Flows	34
Notes to the Financial Statements	35

REPORT OF THE MANAGERS

INTRODUCTION

The Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS(NI)] is an unfunded, defined-benefit, occupational pension scheme administered by the Department of Finance and Personnel's (DFP's) Civil Service Pensions Branch which is based in Waterside House, Londonderry. The Scheme draws its statutory authority from the Superannuation (Northern Ireland) Order 1972.

The Scheme, which has approximately 34,300 current members, 8,400 deferred members and 27,600 pensioner members and dependents receiving benefits, is open to all employees of the Northern Ireland Civil Service plus some additional public sector bodies and offers a wide range of benefits. The details of movements in membership during the year are shown at Annex A.

MANAGERS, ADVISERS AND EMPLOYERS

Managers

Accounting Officer

Mr Stephen Peover

DFP

Rathgael House

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BT19 7NA

Pension Scheme Administrator

Compensation Scheme Administrator

Mrs Colette Heaney

DFP

Civil Service Pensions

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Advisers

Scheme Actuary

Government Actuary's Department

Finlaison House

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Danske Bank

Donegall Square West

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Legal Advisers

Departmental Solicitor's Office

Victoria Hall

12 May Street

BELFAST,

BT1 4NL

Auditor

Northern Ireland Audit Office

106 University Street

BELFAST,

BT7 1EU

Employers

Principal Employer

All NICS Departments and Agencies

Additional Bodies

See Annex B

THE SCHEME SUMMARY

The PCSPS(NI) rules are structured into 4 sections. Sections 1, 2 and 3 set out the provisions relating to the different pension arrangements under the Scheme. There are three final salary arrangements (Classic, Classic Plus and Premium) and one ‘career average’ arrangement (Nuvos). Section 4 of the rules, contain the Scheme governance arrangements and provisions for cost capping and sharing.

The 1972 Section provides for Classic, the original final salary arrangement. Under Classic, benefits accrue at 1/80 of final pensionable earnings with an automatic lump sum of 3/80 of final pensionable earnings. Employee contributions are dependent on the level of pensionable earnings and range from 1.5% to 6.25% accordingly from 1 April 2013.

The 2002 Section provides for the Premium final salary arrangement for new entrants from 1 October 2002 until 29 July 2007. In addition the 2002 Section provides that those existing members who were in post on or before 30 September 2002 were able to choose Premium or the hybrid Classic Plus arrangement in which benefits before 1 October 2002 are as for Classic and benefits from that date forward are as for Premium. Under the Premium and Classic Plus arrangements, benefits accrue at 1/60 of final pensionable earnings with no automatic lump sum although pension may be commuted to lump sum on leaving. Employee contributions are dependent on the level of pensionable earnings and range from 3.5% to 8.25% accordingly from 1 April 2013.

Normal pension age for Classic, Classic Plus and Premium is 60. Where applicable, benefits payable under any of the arrangements are increased annually in April in line with increases to the cost of living and are determined on the basis of Consumer Price Index (CPI). Pensions were increased from 8 April 2013 by 2.2%.

The 2007 Section was introduced into the PCSPS(NI) with effect from 30 July 2007. The 2007 Section, known as Nuvos, is for members whose service started on or after 30 July 2007. Nuvos is an ‘earned pension’ arrangement. Members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in CPI and attract an annual pension increase. Earned pension may be commuted for lump sum benefits on retirement. Pension age for the Nuvos section is 65. Employee contributions are also determined by the level of pensionable earnings and range from 3.5% to 8.25% accordingly from 1 April 2013.

Generally most new employees are entered into the Nuvos arrangement on taking up employment. From 1 February 2013 all new entrants are automatically enrolled in the pension scheme and those employees who had previously opted out will be re-enrolled in their former arrangement. It is for the individual to then decide if they wish to remain a member of the pension scheme or to opt out.

Employers’ contributions to the Classic, Classic Plus, Premium and Nuvos arrangements are as determined by the Scheme Actuary (the Government Actuary’s Department) and are on the basis of salary bands which are reviewed annually and are a percentage rate of the member’s pensionable earnings. The percentage rates payable are reviewed as part of the periodical actuarial review of the Scheme, which should take place at least every four years.

The PCSPS(NI) also provides ill-health, death and dependants benefits. Benefits drawn before pension age will be subject to actuarial reduction for early payment. From 1 April 2010 members who take an early pension may buy-out the actuarial reduction. Members may purchase additional amounts of index linked pension payable on retirement (‘contributed benefits’) by making additional contributions from salary or lump sum payments.

Alternatively new entrants from 1 October 2002 may choose to join a money purchase stakeholder based arrangement to which the employer contributes (Partnership Pension Account) instead of Premium or Nuvos. Under these arrangements, which do not form part of the PCSPS(NI) rules, the

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

employer pays a contribution (the level of which depends on the age of the member) into the pension account. Employees are not required to contribute, but any contributions made are matched by the employer up to an upper limit of 3%.

SCHEME CHANGES

Legislative Changes 2013-14

A Statutory Rule – The Pensions Increase (Review) Order (Northern Ireland) 2014 – was made to provide for an increase of 2.7% in public sector pensions from 7 April 2014.

A Scheme Amendment - Civil Service Compensation Scheme (Amendment) Scheme (Northern Ireland) 2014 was made to introduce key reforms to the Civil Service Compensation Scheme in Northern Ireland. The new Civil Service Compensation Scheme (Northern Ireland) sets out the level of compensation that Departments can pay staff if they leave on voluntary or compulsory redundancy terms. Under the provisions of the new Compensation Scheme for the Northern Ireland Civil Service, effective from 1 April 2014, the maximum payable is limited to 21 months’ pay for voluntary redundancy and 12 months’ pay for compulsory redundancy. All staff earning less than £24,728 (on Full Time Equivalent basis) will be treated as if they earn £24,728 for the purpose of calculating their redundancy payments. There is also an upper pay threshold of £100,091. Staff will have their salary capped at this figure for the purpose of calculating their redundancy payments.

The following changes were made to the rules of the PCSPS(NI):

Title of legislation and change introduced	PCSPS(NI) Scheme section to which change was made:			
	1972 Section II Classic	2002 Section I Classic Plus & Premium	2007 Section III Nuvos	Section IV General Provisions Section
<p>Principal Civil Service Pension Scheme (Amendment) Scheme (Northern Ireland) 2014</p> <p>The amendment changes the rules of the PCSPS(NI) as a consequence of the provisions of the Civil Service Compensation Scheme (Amendment) Scheme (Northern Ireland) 2014 which provides the level of compensation Departments can pay staff if they leave on voluntary or compulsory redundancy terms. The amendment took effect from 1 April 2014.</p>	Applies	Applies	Applies	Does not apply

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

Principal Civil Service Pension Scheme (Amendment No.2) Scheme (Northern Ireland) 2014 The amendment provides for increases in the contributions payable by members for the 2014-15 year.	Applies	Applies	Applies	Does not apply
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TRANSFERS

The following represents the position in relation to bulk transfers completed or ongoing throughout the 2013-14 financial year:

Name	Comments
Chief Electoral Officer for Northern Ireland	Bulk Transfer In (Ongoing) Pension provision for 69 staff employed in the office of the Chief Electoral Office for Northern Ireland has been made in the PCSPS (NI) with effect from 1 April 2006. The transfer valuation was completed at the end of March 2014. Final payment was received on 4 April 2014.
Department of Justice	Bulk Transfer In (Complete) Bulk transfer of employment of approximately 700 members effective from 12 April 2010 and 12 April 2011 (tranche 1), 1 June 2011 (tranche 2) and 12 April 2012 (tranche 3). Tranches 1 and 2 are complete and tranche 3, in respect of 3 members, was effective from 12 April 2012 with payment received on 16 December 2013.
Sport NI	Bulk Transfer In (Ongoing) Bulk transfer of employment of approximately 6 members effective from 1 August 2012. Transfer process is underway with payment expected in 2014/15.
Probation Board	Bulk Transfer In (Ongoing) Bulk transfer of employment of 2 members effective from 6 August 2012. Transfer process is underway with payment expected in 2014/15.
Victims and Survivors Service	Bulk Transfer In (Ongoing) Bulk transfer of employment of 11 members effective from 12 November 2012. Transfer process is underway with payment expected in 2014/15.
Department of Justice	Bulk Transfer Out (Complete) Bulk transfer of employment of 16 members on 1 September 2011 and 3 members on 12 April 2012. Transfer process is complete with payment made on 22 August 2013.
NI Prison Service Healthcare Staff	Bulk Transfer Out (Ongoing) Bulk transfer out of 56 members on 1 April 2012. Transfer process is underway with payment expected during 2014/15.

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

DHSSPS

Bulk Transfer Out (Ongoing)

Bulk transfer of one member of staff on 1 April 2012. This process is almost complete and payment will be made early in the 2014/15 financial year.

DHSSPS RPA

Bulk Transfer Out (Ongoing)

Bulk transfer of employment of 19 staff with various dates for transfer of liability. Transfer process is underway with payment expected during 2014/15.

During the 2013/14 financial year a residual payment was made in respect of Northern Ireland Water Limited (NIWL), and an adjustment receipt was received from Aramark in respect of PSNI cleaners.

In addition, there were a number of smaller transfers at an individual or group level agreed during the year.

OTHER PROVISIONS

FREE-STANDING ADDITIONAL VOLUNTARY CONTRIBUTIONS AND STAKEHOLDER PENSIONS

Employees of Departments and other organisations which participate in the PCSPS(NI) may make their own arrangements for making payments to institutions which offer Free-Standing Additional Voluntary Contribution Schemes. The Managers of the PCSPS(NI) have no responsibility in connection with such arrangements but have in place in-house arrangements with three Additional Voluntary Contribution providers.

Standard Life is the formally appointed, designated stakeholder pension provider for NICS employment in accordance with the access requirements of the Welfare and Pensions Reform Act 1999. Employers have made the arrangements known to staff and provide a facility for staff to contribute through payroll if they so wish. No contributions are made by the Managers of the PCSPS(NI) or by employers.

INCREASED MEMBER CONTRIBUTION RATES

At its October 2010 Spending Review the Coalition Government announced that member contribution rates would increase for all United Kingdom public service pension schemes with the exception of the armed forces from April 2012. The policy is intended to save a total of £2.8bn per year across the United Kingdom by 2014-15, equivalent to an increase in member contribution rates of around 3.2 percentage points on average phased in over three years from April 2012.

Following a decision taken by the Northern Ireland Executive on 22 September 2011 that this policy should be implemented for each of the Northern Ireland public service pension schemes, the Department of Finance and Personnel consulted with NICS employers, employees and trade unions on its preferred approach to delivering the targeted level of savings for the PCSPS(NI) for the years 2012-13, 2013-14 and 2014-2015. In response to the consultations issued on 3 February 2012 and 3 December 2012, the Department implemented increased member contributions from 1 April 2012 and 1 April 2013. Year 3 increases were implemented for 2014-15 following consultation issued on 18 November 2013.

SCHEME VALUATION

The Government Actuary's Department (GAD) is responsible for carrying out a full valuation of the PCSPS(NI) pension scheme. The 2010 valuation had not been completed as HM Treasury has instructed that scheme valuations should be suspended. However, work has commenced on a valuation

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

of the PCSPS(NI) as at 31 March 2012 which will be used to set the level of contributions that should be applied to the new 2015 pension scheme. All required data has been provided to the scheme actuary and the Department is currently working with actuaries to establish a robust set of assumptions from analysis of this data to inform the employer contribution rates and set the employer cost cap. It is expected that all public sector pension scheme 2012 valuations will be published by Autumn 2014.

COMPLAINTS HANDLING

Civil Service Pensions (CSP) has two distinctive sets of complaints handling procedures. The first covers complaints about pensions and is governed by The Occupational Pensions Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations (Northern Ireland) 2008 and covers any disagreement under the Principal Civil Service Pension Scheme (Northern Ireland) pension arrangements. This complaints procedure has two stages which are time-bounded for application and response.

In 2013/14 CSP dealt with 48 stage 1 cases and 18 stage 2 cases. Each case is reviewed on an individual basis and as appropriate, revised staff instructions and/or management checks are implemented. If the complainant remains dissatisfied with the outcome after the two stages have been exhausted, they still have the right of appeal via The Pensions Advisory Service and The Pensions Ombudsman's Office.

The second type of complaint covers complaints and comments about the standard of service provided. CSP uses this information to continue to improve the standard of service in the future. This is also a two stage process with the first stage being dealt with by the line manager of the person dealing with the case or the Head of Branch and the second stage by the Head of Departmental Directorate. In 2013/14 CSP dealt with 14 cases at stage 1 and 2 cases at stage 2. Each case is reviewed on an individual basis and as appropriate, revised staff instructions and/or management checks are implemented.

Leaflets on both Civil Service Pensions complaints procedures can be found on the PCSPS(NI) website at: www.dfpni.gov.uk/civilservicepensions-ni .

EVENTS AFTER THE REPORTING PERIOD

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

DISCLOSURE OF INFORMATION TO AUDITOR

The Principal Accounting Officer, Stephen Peover, Permanent Secretary of the Department of Finance and Personnel has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Scheme's auditor is aware of such information. So far as he is aware there is no relevant audit information of which the Scheme's auditor is unaware.

FURTHER INFORMATION

Any enquiries about the Scheme should be addressed to:

Mrs Colette Heaney
DFP
Civil Service Pensions
Waterside House
75 Duke Street
LONDONDERRY
BT47 6FP

PCSPS(NI) MEMBERSHIP STATISTICS 2013-14

		TOTAL
ACTIVE MEMBERS		
Members at 1 April 2013		34,224
Opening adjustment		87
New entrants in year*		1,605
Leavers*		(1,616)
Members as at 31 March 2014		34,300
DEFERRED MEMBERS		
Deferred as at 1 April 2013		8,606
Opening Adjustment		136
New deferred members		87
Deferreds cessated		(385)
Deferred as at 31 March 2014		8,444
PENSIONERS		
Pensioners as at 1 April 2013	Members	21,718
	Dependents	5,286
Opening adjustment	Members	96
	Dependents	16
New retirees	Members	1,261
	Dependents	269
Deaths/Cessations/Others	Members	(702)
	Dependents	(329)
Pensioners as at 31 March 2014	Members	22,373
	Dependents	5,242

Notes:

1. The figures in the table in bold are position statements i.e. they represent the status of the membership recorded as at the date in question.
2. The Active Member opening balance as at 1 April 2013 has had to be adjusted due to:
 - Addition of 87 to the opening balance. An additional 86 members were reported on the opening HRConnect payroll and 1 additional member was reported on the opening Equality Commission payroll as at 1 April 2013.
3. The Deferred Member opening balance as at 1 April 2013 has had to be adjusted due to:
 - Addition of 71 to the opening balance adjustment figure to include deferred members in receipt of an annual compensation pension.
 - Addition of 65 to the opening balance to correspond to adjustments following housekeeping exercise for leavers.

4. The Pensioner Member opening balance as at 1 April 2013 has had to be adjusted due to:

- Addition of 96 to opening balance for leavers with last day of service of 31 March 2013.

5. The Dependants opening balance as at 1 April 2013 has had to be adjusted due to:

- Addition of 16 to the opening balance – adjustment due to new dependants prior to 1 April 2013 and deaths before 31 March 2013, which were processed after 1 April 2013.

*Opt – in and Opt out figures included in new entrants and leavers.

ADDITIONAL EMPLOYMENT OR OFFICES TO WHICH PCSPS(NI) APPLIES

1. **Museums**
Employment by the Board of Trustees of the National Museums and Galleries of Northern Ireland
Employment in the Northern Ireland Museums Council
2. **Assembly Offices**
Clerk to the Assembly
Clerk – Assistant to the Assembly
Second Clerk – Assistant to the Assembly
Fourth Clerk at the Table
Committee Clerk
Librarian
Assistant Librarian
Editor, Deputy Editor and Assistant Editor of Official Reports of Debates Reporter
Examiner of Statutory Rules for Northern Ireland
3. **Offices of the Planning Appeals Commission**
Chief Commissioner
Chief Professional Commissioner
Senior Professional Commissioner
Professional Commissioner
Principal Professional Commissioner
4. **Other Bodies**
Police Complaints Board for Northern Ireland
Employment by the Commissioner for Children and Young People for Northern Ireland
Employment in the Equality Commission for Northern Ireland
Employment in the Fair Employment Agency established under the Fair Employment (Northern Ireland) Act 1976
Chairman of the Fair Employment Agency
Employment in the Labour Relations Agency established under the Industrial Relations (Northern Ireland) Order 1976
Chairman of the Labour Relations Agency
Employment in the Equal Opportunities Commission established under the Sex Discrimination (Northern Ireland) Order 1976
Chairman of the Equal Opportunities Commission for Northern Ireland
Employment by the Northern Ireland Assembly Commission
Employment in the Northern Ireland Economic Development Office incorporated on 4 October 1978 under the Companies Act (Northern Ireland) 1960
Employment in the General Consumer Council for Northern Ireland established under the General Consumer Council (Northern Ireland) Order 1984
Office of Director General of Electricity Supply for Northern Ireland established under the Electricity (Northern Ireland) Order 1992
Office of Chairman of the Consumer Committee for Electricity
Employment in Invest Northern Ireland
Employment in the Northern Ireland Judicial Appointments Commission
Employment in the Commission for Racial Equality (Northern Ireland)
Secretary to the Mental Health Commission
Chief Commissioner of the Equality Commissioner for Northern Ireland
Employment by the Northern Ireland Social Care Council

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

Chief Executive to the Mental Health Commission
Employment by the Northern Ireland Practice and Education Council for Nursing and Midwifery
Employment by the Northern Ireland Health and Personal Social Services Regulation and Improvement Authority
Employment in the Economic Research Institute of Northern Ireland Limited
Employment in the Office of the Commissioner for Children and Young People for Northern Ireland
Employment by the Police Service of Northern Ireland as a Civilian Direct Recruit
Employment in the Office of the Chief Electoral Officer for Northern Ireland
Employment in the Agri-food and Biosciences Institute
Employment in the Regional Health and Social Care Board
Employment in the Regional Agency for Public Health and Social Well-being
Employment in the Regional Business Services Organisation
Offices of the Director and Deputy Director of Public Prosecutions (Northern Ireland)
Commissioner for Older People for Northern Ireland
Chief Inspector of Criminal Justice in Northern Ireland
Commissioner of the Northern Ireland Law Commission
Police Ombudsman for Northern Ireland
Charity Commission for Northern Ireland
Commission for Victims and Survivors for Northern Ireland
Victims and Survivors Service Limited
Maze / Long Kesh Development Corporation

STATEMENT OF THE ACTUARY
Accounts for the year ended 31 March 2014

Introduction

1. This statement has been prepared by the Government Actuary’s Department at the request of the Department of Finance and Personnel (Northern Ireland) (‘the Department’). It summarises the pensions disclosures required for the 2013-14 Resource Accounts of the Principal Civil Service Pension Scheme (Northern Ireland) (‘the Scheme’ or ‘PCSPS (NI)’).
2. The PCSPS (NI) is a statutory scheme, the rules of which are set by the Department under the powers granted in the Superannuation (Northern Ireland) Order 1972 and subsequent amendments. The Scheme is wholly unfunded. Participating employers are required to make contributions during the period of a member’s active service, known as accruing superannuation liability charges (ASLCs). These ASLCs are assessed regularly by the Scheme Actuary in line with Section IV of the rules. I am 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).
3. The statement is based on an assessment of the liabilities as at 31 March 2012, with an approximate updating to 31 March 2014 to reflect known changes.

Membership data

4. Tables A to C summarise the principal membership data as at 31 March 2012 and 31 March 2014 used to prepare this statement.

Table A -Active members

31 March 2012 membership data			2013-14 accounts
Number	Total salaries (pa) (£million)	Total accrued pensions (£million)	Total salaries implied by receipts (£million)
34,358	861.05	208.27	867.65

The pay shown is the actual pensionable pay

Table B – Deferred members

31 March 2012 membership data	
Number	Total deferred pension (pa) (£million)
8,701	22.02

Including pension increases awarded to 31 March 2012

Table C – Pensions in payment

31 March 2012 membership data		2013-14 accounts
Number	Total pension (pa) (£million)	Total pension (pa) (£million)
26,108	201.59	223.39

Methodology

5. The present value of the liabilities has been determined using the Projected Unit Credit Method (which includes an allowance for expected future pay increases in respect of Classic, Classic Plus and Premium active members) and the financial and demographic assumptions set out in my report on the 2013-14 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2014 was determined using the Projected Unit Credit Method and the financial and demographic assumptions set out in the Government Actuary’s Department report on the previous assessment.
6. This statement takes into account the benefits normally provided under the Scheme, including age retirement benefits, ill-health retirement benefits, benefits applicable following the death of the member and pre-1 April 2006 injury benefits. A small allowance for the cost of post 1 April 2006 injury benefits has been included in the current service cost. This statement does not take into account premature 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.

Principal financial assumptions

7. The principal financial assumptions adopted to prepare this statement are shown in Table D. With effect from 31 March 2014, the assumed rate of return in excess of pension increases has been reduced from 2.35% a year to 1.8% a year, and the assumed rate of return in excess of earnings has been reduced from 0.15% a year to (0.15)% a year. With effect from 31 March 2014, the assumed rate of future pension increases is 2.5% a year and the assumed nominal rate of salary growth is 4.5% a year (changed from 1.7% and 3.95% respectively as at 31 March 2013).

Table D – Principal financial assumptions

Assumption	31 March 2014	31 March 2013
Rate of return (discount rate)	4.35%	4.10%
Rate of return in excess of:		
Earnings increases	(0.15)%	0.15%
Pension increases (CPI)	1.8%	2.35%

8. The pension increase assumption as at both 31 March 2013 and 31 March 2014 is based on the Consumer Price Index (CPI) expectation of inflation.

Demographic assumptions

9. The demographic assumptions adopted to prepare this statement have been derived from the specific experience of the Scheme membership.
10. The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2014, and to determine the Current Service Cost for the year ending 31 March 2015, have been set by DFP NI based on the results of an analysis of scheme experience between 2010 and 2012 performed as part of the 2012 valuation.
11. The adopted demographic assumptions for this assessment are not the same as those used to prepare the previous assessment. In particular, some allowance for changes in behaviour

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

following implementation of the new scheme in 2015 has been made, particularly in respect of assumed rates of age retirement where it is acknowledged that behaviours might change as a result of the linking of Normal Pension Age with State Pension Age. Accordingly, the demographic assumptions proposed for the valuation have been set separately for members with either full or tapered ‘protection’ who will continue in the existing schemes after April 2015 (at least for a while) and for those ‘unprotected’ members who will transfer to the new scheme on 1 April 2015.

12. The contribution rate used to determine the accruing cost in 2013-14 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the previous assessment.

Liabilities

13. Table E summarises the assessed value as at 31 March 2014 of benefits accrued under the Scheme prior to 31 March 2014 based on the data, methodology and assumptions described in paragraphs 3 to 11. The corresponding figures for the previous four year ends are also included in the table.

Table E – Statement of financial position

	31 March 2014 £bn	31 March 2013 £bn	31 March 2012 £bn	31 March 2011 £bn	31 March 2010 £bn
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	(9.59)	(9.09)	(7.90)	(6.94)	(7.85)
Deficit	(9.59)	(9.09)	(7.90)	(6.94)	(7.85)
Of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Accruing costs

14. The cost of benefits accruing in the year ended 31 March 2014 (the Current Service Cost inclusive of members’ contributions) is based on a standard contribution rate of 33.3%, as determined at the start of the year. This includes a loading of 0.25% as a contribution towards the administration costs of the Scheme. Table F shows the standard contribution rate used to determine the Current Service Cost for 2014-15 and 2013-14.

Table F – Contribution rate

	Percentage of pensionable pay	
	2014-15	2013-14
Standard contribution rate	32.6%	33.3%

15. For the avoidance of doubt the employers’ share of the standard contribution rate determined for the purposes of the Resource Accounts is not the same as the actual rate of contributions payable by employers, currently around 19.5% on average (excluding pre-89 Prison Officers who have a contribution rate of 26.0%), which was determined based on the methodology and the financial and demographic assumptions adopted for the funding of the Scheme. The most significant difference between the actuarial assessments for Resource Accounts and for Scheme funding purposes is the discount rate net of pension increases, which was 2.35% net of CPI for the 2013-14 Current Service Cost (2.8% pa net of CPI for 2012-13) compared with 3.5% pa net of RPI for the existing Scheme funding rate (note that the discount rate for

Scheme funding purposes has been reviewed and reduced to 3% net of CPI but this does not affect the current rate of contributions and a funding valuation of the Scheme as at 31 March 2012 is currently underway). A higher discount rate for Scheme funding purposes results in a lower assessed cost of benefit accrual. The discount rate for Scheme funding is set by HM Treasury, and is expected to stay the same for an extended period so as to provide a stable budgeting mechanism for pension accrual within government. The discount rate for Resource Accounts is set each year by HM Treasury to reflect the requirements of IAS19.

16. The pensionable payroll for the financial year 2013-14 was £868 million (provided by DFP NI). Based on this information, the accruing cost of pensions in 2013-14 (at 33.3% of pay) is assessed to be £290 million.

Sensitivity analysis

17. The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2014 of changes to the main actuarial assumptions.
18. The principal financial assumptions are the real rates of return in excess of pension increases and earnings growth. (The assumed nominal rate of return is less important although it does affect the past service liability in respect of Guaranteed Minimum Pensions (GMPs)). A key demographic assumption is pensioner mortality, as is assumed age retirement.
19. Table G shows the indicative effects on the total liability as at 31 March 2014 of changes to these assumptions.

Table G

Sensitivity to main assumptions

Change in assumption *	Approximate effect on total liability		
Financial Assumptions			
(i) discount rate: + ½% a year	-9.5%	- £900 million	
(ii) earnings increase: + ½% a year	+3.5%	+ £325 million	
(iii) pensions increase: + ½% a year	+7.0%	+ £675 million	
Pensioner mortality			
(iv) pensioners assumed to live one year longer:	+2.5%	+£250 million	
(v) active members retire in normal health 1 year later, on average, than assumed:	-0.5%	-£50 million	

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

20. In variant (ii) of Table G, the assumed rate of return in excess of pension increases remains unchanged, and in variant (iii), the assumed rate of return in excess of earnings remains unchanged.

Ian Boonin
Fellow of the Institute and Faculty of Actuaries
Government Actuary's Department
16 May 2014

STATEMENT OF ACCOUNTING OFFICER’S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, the Department of Finance and Personnel has directed the Principal Civil Service Pension Scheme (Northern Ireland) to prepare, for each financial year, a statement of accounts 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 Combined Scheme at the year end and of the net resource outturn 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 purpose intended by the 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 Scheme during the year have been paid in accordance with the Scheme Rules and the recommendations of the Actuary.

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

- observe the Accounts Direction issued by the Department of Finance and Personnel, including the relevant accounting and disclosure requirements, and apply suitable 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; and
- prepare the financial statements on a going-concern basis.

The Department of Finance and Personnel has appointed the Permanent Head of the Department as Accounting Officer for the Principal Civil Service Pension Scheme (Northern Ireland). 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 Scheme, are set out in the Accounting Officers’ Memorandum issued by the Department of Finance and Personnel and published in *Managing Public Money Northern Ireland*.

GOVERNANCE STATEMENT

The Department of Finance and Personnel is one of twelve Northern Ireland departments created as part of the Northern Ireland Executive by the Northern Ireland Act 1998, the Departments (Northern Ireland) Order 1999 and the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. The Department is governed under a model with the following responsibilities:

- the Minister for Finance and Personnel reports to the Northern Ireland Executive on all of the functions of the Department;
- the Permanent Secretary has responsibility to the Minister for the day-to-day operation of the departmental functions and as Accounting Officer for managing and controlling the resources used by the Department;
- the Departmental Board (the Board) provides collective leadership, strategic direction and has responsibility for operational delivery of the functions of the Department.

The Department's organisation chart is shown at **Annex A**.

This Governance Statement, which has been agreed by the Board, sets out how these responsibilities have been discharged during 2013-14. The Board's responsibilities include the core Department of Finance and Personnel, its agencies and the Principal Civil Service Pension Scheme.

Context

The context in which the Department's governance arrangements are required to operate is set out in the [DFP Corporate Plan 2012-15](#) which contains the strategic priorities for DFP over the period. The DFP Business Plan 2013-14 sets out the Department's vision, objectives and targets and how the Department will work to deliver its Departmental level objectives. This plan has been published on the Department's internet site and can be downloaded at www.dfpni.gov.uk.

As the Department with responsibility for securing and allocating the resources available to Northern Ireland through the block grant, DFP plays a key role in fulfilling the Northern Ireland Executive's aim of rebalancing and rebuilding the NI economy and is taking forward a number of key commitments within [Programme for Government 2011 - 2015](#) in this regard, namely:

- continuing to work with the UK government to examine the administrative arrangements and full financial consequences for devolution of the powers to vary the rate of Corporation Tax;
- eliminating Air Passenger Duty on long haul flights from Northern Ireland;
- implementing proposals for the rating of commercial properties which includes enhancements to the Small Business Rates Relief scheme and the introduction of a Large Retail Levy.

In addition to these important economic measures, DFP is also taking forward further commitments in relation to:

- providing guidance to Departments on the inclusion of social clauses in procurement contracts for supplies, services and construction;
- further reductions in the levels of sickness absence across the Northern Ireland Civil Service;
- improving online access to government services by the citizen.

Accounting Officer

The Permanent Secretary as Departmental Accounting Officer is responsible to the Minister and to the Assembly for the proper handling and reporting of the use of public money by the Department under

the main principles set out in Managing Public Money NI and for establishing and maintaining a sound system of internal control for the management of resources under his control.

At the beginning of the financial year, the Accounting Officer delegated responsibility to each of his Directors and Chief Executives for the management of budgets within their respective business areas. He receives formal assurances twice yearly from each Director and Chief Executive on risk management, governance, financial management and delegations within their respective areas of responsibility in the format of stewardship statements. Key issues emanating from those statements are reflected in this Governance Statement.

Departmental Board

The Accounting Officer chairs the Board which in 2013-14 met on 11 occasions. In addition to the Permanent Secretary, the Board comprises the Departmental Solicitor, Directors and Chief Executives who head the Department's directorates and agency, including the Departmental Directors of Finance and Human Resources. The Board is further strengthened by the inclusion of two independent members who bring a wide range of skills, experience and external challenge to the work of the Department. Minutes of all Board meetings are published on the departmental website.

During 2013-14 the Board held regular discussions on finance and HR issues, performance against business plan objectives, management of departmental risks and articles for the Staff Brief. In addition, the Board also considered and discussed papers in relation to, for example:

- Staff Satisfaction Survey;
- Customer Survey Report;
- Procurement;
- Spend Analysis & Impact on Collaborative Procurement;
- Review of Board Effectiveness;
- Departmental Charging Policy;
- Information Assurance;
- Legislative Programme;
- LPS rate collection;
- Public access to government services;
- Board Operating Framework;
- DFP Risk Appetite Statement;
- NICS People Strategy 2013-16;
- Sustainable Development Action Plan; *and*
- Non-Domestic Revaluation 2015.

It is envisaged that the Board will discuss similar issues covering the breadth of the Department's areas of responsibility during 2014-15.

The Board is fully committed to the highest standards of corporate governance and complies to the relevant extent with the best practice set out in "*Corporate governance in central government departments: Code of good practice (NI) 2013*" issued under DAO (DFP) 06/13 in April 2013.

Attendance of non-executive and executive members at Board meetings during 2013-14:

	Number of Meetings attended
Non-executive members	
Stephen Hodkinson	10 of 11
Dolores O'Reilly	9 of 11
Executive members	
Stephen Peover	11 of 11
Des Armstrong	11 of 11
Anne Breen	8 of 8
Michael Brennan	8 of 9
Norman Caven	9 of 11
Brendan Fitzpatrick	1 of 3
Colin Lewis	10 of 11
Bill Pauley	1 of 2
Oswyn Paulin	11 of 11
Colin Sullivan	5 of 5
Paul Wickens	10 of 11
John Wilkinson	10 of 11
Brigitte Worth	8 of 11

A formal review of the Board's effectiveness, including a review of the quality of data received, was conducted during 2013-14 by the Corporate Improvement Centre using the DFP Quality Programme. An Improvement Plan was drawn up and agreed by the Board and is currently being implemented.

Declarations of Interest

Departmental HR maintains a "Register of Interests" for members of the Senior Civil Service, including both Executive and Non-Executive Directors on the DFP Board. Declarations include anything which may give rise to conflict with the position of Board member, including:

- Private occupations, such as sitting on the boards of other public bodies;
- Payment for private work;
- Relationships with suppliers and/or consultants with whom DFP does business;
- Gifts or benefits received in connection with work in DFP;
- Membership of professional institutes and/or committees;
- Any other interests that could have a conflict.

For 2013-14, the Accounting Officer has been provided with assurance that no Board members have declared any conflict of interest with the business of the Department.

Departmental Audit and Risk Committee

The Departmental Audit and Risk Committee (DARC) supports the Accounting Officer and the Board on issues of risk, control and governance. In addition, DARC provides assurances and advice to the Accounting Officer on the adequacy of audit coverage both internal and external. DARC is chaired by one of the independent members and operates under the best practice guidance contained within the Audit and Risk Assurance Committee Handbook (NI) issued under DAO (DFP) 05/14 in March 2014.

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

The Committee met on 4 occasions during the course of 2013-14. The Corporate Risk Register was provided to all meetings and the Committee reviewed in detail departmental level risks in relation to:

- Departmental budgets and managing the risk of over and under spends;
- Levels of collection and debt recovery in relation to domestic and non-domestic rates;
- Levels of sickness absence within both the NICS and DFP;
- Implementation of the interim rate rebate scheme;
- Levels of assurance in relation to information risk within both NICS and DFP;
- Regularity of payments in relation to EU Programmes 2007-13 for which DFP is the Accountable Department;
- Equal Pay vulnerabilities.

The risk profile for the Department has also been reviewed regularly by the Board and DARC, and during the course of the year new controls and management actions have been put in place to mitigate risks and to minimise their impact should they materialise. This has resulted in the re-grading of risk status, and the inclusion and removal of risks at departmental level as necessary. Several risks have been managed to the extent where they have been removed from the risk register, these include:

- Procurement guidance in relation to Social Clauses in contracts;
- Levels of assurance in relation to information risk within DFP.

The Departmental Board agreed a Risk Appetite Statement which articulates the amount of risk the Department is prepared to accept, tolerate or be exposed to in pursuit of its strategic objectives or from other inherent issues which although not directly linked to the strategic objectives have an impact on the risk profile of the Department.

In addition to the risk register, the DARC considered papers in relation to a range of corporate governance and internal control issues, including, for example:

- Progress against internal audit plans and development of future plans;
- Progress against internal audit recommendations;
- Departmental Resource Accounts;
- Stewardship Statements provided by all Business Area Directors;
- Reports to Those Charged with Governance and Value for Money reports provided by NI Audit Office;
- Accountability Grids in relation to Public Accounts Committee recommendations;
- Fraud and whistleblowing.

The Chair of the DARC periodically provides a paper to Departmental Board, the latest in July 2013, outlining the work undertaken by the Committee and providing assurance on the systems of internal control in operation across DFP.

A review of DARC effectiveness was undertaken in February 2014, utilising a National Audit Office Audit Committee self-assessment checklist. An Improvement Plan was drawn up and agreed by the DARC and is currently being implemented.

All meetings of DARC are attended by representatives from the Northern Ireland Audit Office (NIAO) and the Chair of the Committee holds independent meetings separately with the NIAO and Head of Internal Audit to discuss any particular issues of concern.

Financial Management

Financial Management reporting to the Board plays a significant part in the effective monitoring and management of the Department's financial performance. The Board regularly reviews actual income and expenditure against budgets to form the basis of collective Board decisions about the allocation and use of resources and to ensure that the Department's financial management target of avoiding overspend and managing underspend within a tolerance of 1.5% is met.

The Finance Director provides monthly financial management reports to the Board and provides advice and recommendations on the allocation of departmental resources. This is supported by business areas providing actual and forecast information and analysis of variance against budgets which enables the Board to assess the extent to which corrective action is needed to address the Department's financial position.

Governance and Control Framework

The Department's Governance and Control Framework is the system by which the work of the Department is directed and controlled. This includes how the Department plans, sets and monitors achievement of its corporate objectives, how the risks to the achievement of those corporate objectives are identified and managed and what controls are in place to provide assurance that the Board is in control of the risks to achieving the stated objectives.

The Governance and Control Framework contains advice and guidance to business areas on corporate governance and financial management including the approvals necessary for various types of expenditure. It also contains sources of information on the departmental approach to issues such as anti-fraud measures, charging, information security, procurement and whistleblowing arrangements.

A key element of the Governance and Control Framework is the DFP Policy and Framework for Risk Management which sets out the approach to the identification and management of risk at all levels across the Department. The Departmental Board regularly reviews and manages departmental risks on the Corporate Risk Register, by evaluating each risk to determine the likelihood and impact of the risk occurring, and ensuring that controls and mitigating actions are in place. The Corporate Risk Register is supported by further risk registers at Directorate and Agency level.

Departmental Performance

The DFP Operational Plan 2013-14 sets out the targets and objectives for the year against which performance is reported and monitored. Progress has been reported quarterly to the Board as part of the Corporate Performance Report using a RAG status assessment of each target and narrative on the actions taken to deliver the expected outcomes.

As part of the Corporate Performance Reports, the Board also receives, thoroughly reviews and seeks improvements to information on key departmental statistics in relation to performance in responding to Assembly Questions, FOI and Data Protection requests, prompt payment to suppliers, workforce planning, resourcing and absence management, procurement and contract activity and expenditure on areas of interest such as external consultancy and hospitality.

Progress against targets in the Operational Plan is also reported twice yearly to the Minister and scrutinised by the Committee for Finance and Personnel at oral evidence sessions with the Permanent Secretary. Other key senior officials also attend evidence sessions on specific areas of departmental business as requested by the Committee.

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

The Department's Programme for Government commitments have been reported on a quarterly basis to the Office of the First Minister and Deputy First Minister (OFMDFM), and where necessary, further information has been provided of the mitigating actions being taken to minimise the risk of failure to deliver the desired outcomes.

The Operational Plan is supported by lower level plans at Directorate, Agency and Divisional level and is cascaded further into individual staff Personal Performance Agreements.

Level of Assurance

The Accounting Officer is responsible for reviewing the effectiveness of the system of internal control. This review is informed by the information provided in stewardship statements from Directors bi-annually. These stewardship statements are based on assurances provided by managers within business areas on risk management, financial management, compliance with approvals and delegations and on the implementation of Internal Audit recommendations. Further assurance is provided by the Head of Internal Audit on compliance with the controls and actions recommended in audit assignments which have been conducted.

The Department's internal audit function has conducted a programme of work during 2013-14 which has enabled the provision of assurances on the systems of internal control in operation across the Department. The reports by internal audit to senior managers provide an objective and independent assessment of the systems of internal control in operation across DFP together with prioritised recommendations to strengthen controls and implement further improvements.

An External Quality Assessment of the DFP Internal Audit Service and Corporate Governance arrangements was undertaken during 2012. The review confirmed that the Internal Audit Service is being provided in line with government standards. All recommendations have now been implemented and progress was reported regularly to DARC.

In his Annual Assurance Report, the Head of Internal Audit provided an overall **satisfactory** level of assurance on the governance, risk management and control arrangements across DFP. A synopsis of the main findings from each audit was provided to DARC, and the majority of audits were provided with a **satisfactory**, and in some cases, a **substantial** audit opinion.

The DARC now receives a summary position of the Recommendations Register, which details all agreed Internal Audit Recommendations, at each meeting. Responsibility for maintenance of this register has now moved from Internal Audit to Business Planning and Corporate Governance Branch. The format of reporting is still evolving but the process is supporting DARC in identifying those recommendations which are past due or which require further discussion at DARC level.

The Departmental Security Officer ensures that risks in relation to personal, physical and IT security are being managed and has conducted routine inspections of building and office security reporting breaches to senior management for appropriate action.

The Senior Information Risk Owner (SIRO) is a member of the Board and has regularly reported on information risk at departmental level. She has established an approach to information assurance risk management which includes the creation and maintenance of information risk registers by each Director and Agency Chief Executive within their respective business areas. The assessment of information risks has been conducted against the HMG Information Assurance Maturity Model and has been validated by Internal Audit.

The SIRO is supported by a governance structure which includes a dedicated Information Assurance Team, Internal Audit, IT Security Officer and Departmental Accreditor with responsibility for the IT

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

security, audit and accreditation of all departmental IT systems and NICS-wide shared services in line with Cabinet Office guidelines.

No reportable data breaches were identified between 1 April 2013 and 31 March 2014. However, on 3 April 2014 one breach was reported to the Information Commissioner's Office (ICO). A review of the circumstances of this breach was undertaken and the ICO decided that no further action was required.

Fraud prevention and awareness

The DFP Fraud Working Group continued to meet and correspond during 2013-14 to consider issues in relation to fraud, raise awareness of anti-fraud measures and disseminate information pertinent to the prevention and detection of fraud. During 2013-14 business area fraud risk assessments were commissioned, development of a departmental Fraud Risk Register was commenced and revised procedures for the handling of suspected frauds in Account NI were prepared and circulated, with a view to streamlining and preventing duplication of reporting and investigation. A review of the DFP Anti Fraud Policy and Response Plan policy is currently being undertaken in conjunction with DHR. In addition, a paper on the development of the Department's strategic approach to the investigation of alleged fraud was presented at the February Departmental Board.

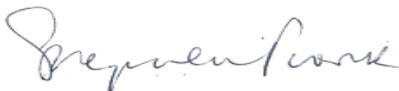
The Department takes a zero tolerance approach to fraud, reporting instances of fraud to the police as necessary. The Department also participates fully in the National Fraud Initiative by investigating matches in relation to payroll, pensions, trade creditors, rates and housing benefit data.

Whistleblowing arrangements are in place and can be used to raise concerns about alleged impropriety, wrongdoing, corruption, fraud or malpractice.

Conclusion

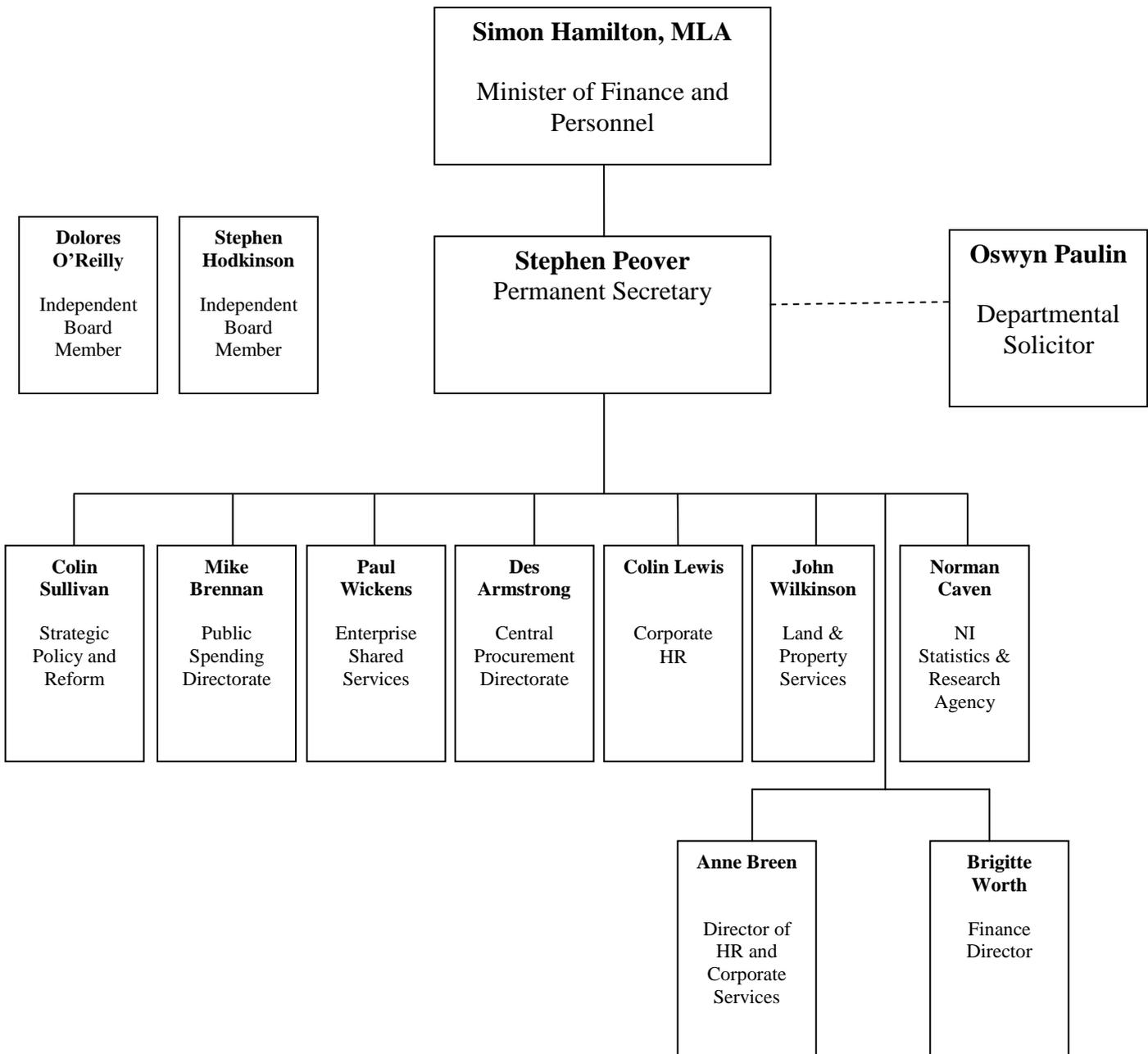
Taking into account all of the arrangements set out in this Governance Statement, the Department has effective corporate governance structures in place and has satisfactory systems of internal control which have operated effectively during 2013-14. These governance arrangements and controls apply throughout the whole of the Department's remit including the Principal Civil Service Pension Scheme.

APPROVED AND SIGNED



STEPHEN PEOVER
Accounting Officer
Department of Finance & Personnel
Date: 27 June 2014

ANNEX A DFP Organisation Chart 2013-14



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

I certify that I have audited the financial statements of the Department of Finance and Personnel Principal Civil Service Pension Scheme (Northern Ireland) Scheme for the year ended 31 March 2014 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Combined Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. I have also audited the Statement of Assembly Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department of Finance and Personnel Principal Civil Service Pension Scheme (Northern Ireland) circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department of Finance and Personnel Principal Civil Service Pension Scheme (Northern Ireland); and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report of the Managers, Report of the Actuary and Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals and that those totals have not been exceeded. I am also 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.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

- 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the scheme's affairs as at 31 March 2014 and of its net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001.

Opinion on other matters

In my opinion:

- the information given in the Report of the Managers and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration 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 Department of Finance and Personnel's guidance.

Report

I have no observations to make on these financial statements.



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

2 July 2014

Notes to the Statement of Assembly Supply

SOAS 1. Statement of accounting policies

The Statement of Assembly Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The Statement of Assembly Supply accounting policies contained in FReM are consistent with those set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates in the Northern Ireland Guidance Manual.

SOAS 1.1 Accounting convention

The Statement of Assembly Supply and related notes are presented consistently with Treasury budget control and Supply Estimates in Northern Ireland. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework “European System of Accounts” (EAS95). EAS95 is in turn consistent with the System of National Accounts (SNA93) which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Assembly Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Assembly authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government’s objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOAS 1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences as detailed below.

SOAS 1.2a Prior Period Adjustments (PPAs)

PPAs resulting from an error in previous recording, or from an accounting policy change initiated by the Department, need to be voted by the Assembly in the current year, whereas in IFRS-based accounts (IAS 8) they are treated as adjustments to previous years. (PPAs resulting from a change in accounting policy brought in by a new or modified accounting standard are not included in Estimates, so there is no misalignment.)

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

SOAS 2. Reconciliation of Estimates, accounts and budgets

SOAS 2.1 Reconciliation of net resource outturn to combined net expenditure

	2013-14 £000	2012-13 £000
	Outturn	Outturn compared with Estimate saving/ (excess)
	Supply Estimate	Outturn
Net Resource Outturn	443,570	430,423
Combined Net Expenditure in Statement of Comprehensive Net Expenditure	443,570	430,423

Explanation of the variation between Estimate and Outturn:

The variance between the AME outturn and Estimate of £15.9m represents a 3.5% underspend. The variance arises from the up-rating factor which is applied to forecast employer contributions to calculate the current service cost used in the Estimate. The actual current service cost used at year end is calculated by the scheme actuary. The calculated current service cost was less than the forecast based on the up-rating factor.

SOAS 2.2 Outturn against final Administration Budget

The Scheme does not have an administration budget.

SOAS 3. Reconciliation of resources to net cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000
Net Resource Outturn	SOAS 2.1	459,500	443,570	15,930
Accruals adjustments				
Non-cash items	16.4	(685,773)	(666,073)	(19,700)
Changes in working capital other than cash		9,741	(9,201)	18,942
Changes in payables falling due after more than one year				
Use of provision:				
Pension	16.5, 16.6	306,532	298,211	8,321
Excess cash receipts surrenderable to the Consolidated Fund	SOAS 4	-	-	-
Net cash requirement		90,000	66,507	23,493

Explanation of the variation between Estimate net cash requirement and Outturn net cash requirement:

The majority of the variance from Estimate relates to the movement in working capital other than cash. In addition the Spring Supplementary Estimate net cash requirement included a higher forecast of pension payments than was actually paid, resulting in a reduced cash requirement.

SOAS 4. Analysis of income payable to the Consolidated Fund

There was no income payable to or receipts received on behalf of the Consolidated Fund during the year (2012-13: £nil income or receipts).

SOAS 5. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2013-14 £000	2012-13 £000
Principal Civil Service Pension Scheme (NI)			
Operating income		222,503	208,193
Adjustments for transactions between Requests for Resources		-	-
Gross income		222,503	208,193
Income authorised to be Accruing Resources		222,503	208,193
Operating income payable to the Consolidated Fund		-	-
Civil Service Compensation Scheme (NI)			
Operating income		11,057	9,176
Adjustments for transactions between Requests for Resources		-	-
Gross income		11,057	9,176
Income authorised to be Accruing Resources		11,057	9,176
Operating income payable to the Consolidated Fund		-	-
Operating income payable to the Consolidated Fund	SOAS 4	-	-

**Combined Statement of Comprehensive Net Expenditure
for the year ended 31 March 2014**

	Note	2013-14 £000	2012-13 £000
Principal Arrangements – Principal Civil Service Pension Scheme (NI)			
Income			
Contributions receivable	3	213,283	200,175
Transfers in	4	4,873	7,561
Other pension income	5	4,347	457
		222,503	208,193
Expenditure			
Service cost	6, 16.4	(290,000)	(250,000)
Enhancements	7, 16.4	(1,200)	(1,055)
Transfers in	8, 16.4	(4,873)	(7,561)
Pension financing cost	10, 16.4	(370,000)	(380,000)
		(666,073)	(638,616)
Net expenditure		(443,570)	(430,423)
Agency Arrangements – Civil Service Compensation Scheme (NI)			
Benefits payable	11	-	-
Net expenditure		-	-
Combined net expenditure		(443,570)	(430,423)
Other Comprehensive Net Expenditure			
Pension re-measurements:			
-Actuarial loss	16.4	(132,138)	(824,008)
		(132,138)	(824,008)
Total Comprehensive Net Expenditure for the year ended 31 March		(575,708)	(1,254,431)

Notes 1 to 23 form part of these financial statements.

**Combined Statement of Financial Position
as at 31 March 2014**

	Note	31 March 2014 £000	31 March 2013 £000
Principal arrangements – Principal Civil Service Pension Scheme (NI)			
Current assets:			
Receivables	13	16,003	23,111
Cash and cash equivalents	14	5,649	1,752
Total current assets		21,652	24,863
Current liabilities:			
Payables (within 12 months)	15	(18,398)	(13,518)
Total current liabilities		(18,398)	(13,518)
Net current assets excluding pension liability		3,254	11,345
Pension liability	16.4	(9,590,000)	(9,090,000)
Net liabilities, including pension liability		(9,586,746)	(9,078,655)
Agency Arrangements – Civil Service Compensation Scheme (NI)			
Receivables	17	872	2,036
Payables (within 12 months)	18	(12)	(66)
Net current assets		860	1,970
Payables (after 12 months)	18	-	-
Net assets		860	1,970
Combined schemes – total net liabilities		(9,585,886)	(9,076,685)
Taxpayers' equity:			
General fund		(9,585,886)	(9,076,685)
		(9,585,886)	(9,076,685)

Signed:



Date:

27 June 2014

Stephen Peover
Accounting Officer

Notes 1 to 23 form part of these financial statements.

**Combined Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2014**

	General Fund	
	2013-14	2012-13
	£000	£000
Balance as at 1 April	9,076,685	7,882,738
Net Assembly Funding - drawn down	(70,404)	(31,301)
Net Assembly Funding - deemed	(8,726)	(37,909)
Supply payable	12,623	8,726
Combined net expenditure for the year	443,570	430,423
Actuarial loss	132,138	824,008
Net change in Taxpayers' Equity	<u>509,201</u>	<u>1,193,947</u>
Balance at 31 March	<u>9,585,886</u>	<u>9,076,685</u>

Notes 1 to 23 form part of these financial statements.

**Combined Statement of Cash Flows
for the year ended 31 March 2014**

	Note	2013-14 £000	2012-13 £000
Cash flows from operating activities			
Combined net expenditure for the year		(443,570)	(430,423)
Decrease in receivables – principal arrangements	13	7,108	3,580
(Increase)/decrease in receivables – agency arrangements	17	1,164	(1,427)
Increase/(decrease) in payables: pensions			
Short-term payables	15	4,880	(27,442)
Increase/(decrease) in payables: compensation scheme			
Short-term payables	18	(54)	53
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		(3,897)	29,183
Increase in pension provision	16.4	660,000	630,000
Increase in pension provision – enhancements and transfers in	16.4	6,073	8,616
Use of provisions – pension liability	16.5	(288,952)	(266,150)
Use of provisions – refunds and transfers	16.6	(7,465)	(4,717)
Use of provisions – death in service	16.5	(1,794)	(1,757)
Net cash outflow from operating activities		(66,507)	(60,484)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		70,404	31,301
From the Consolidated Fund (Supply) – prior year		-	-
Net financing		70,404	31,301
Compensation agency payments made on behalf of employers	11	3,585	1,645
Reimbursement of compensation payments made on behalf of employers	11	(3,585)	(1,645)
Injury benefits payments made on behalf of employers	9	881	844
Reimbursement of injury benefits payments made on behalf of employers	9	(881)	(844)
Lump sum payments made on behalf of employers	11	6,591	6,687
Reimbursement of lump sums made on behalf of employers	11	(6,591)	(6,687)
Net financing		70,404	31,301
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		3,897	(29,183)
Receipts due to the Consolidated Fund which are outside the scope of the scheme's activities		-	-
Payments of amounts due to the Consolidated Fund		-	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		3,897	(29,183)
Cash and cash equivalents at the beginning of the year	14	1,752	30,935
Cash and cash equivalents at the end of the year	14	5,649	1,752

Notes 1 to 23 form part of these financial statements.

Notes to the Financial Statements

1. Basis of preparation of the Scheme financial statements

The financial statements of the Combined Scheme have been prepared in accordance with the relevant provisions of the 2013-14 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel. 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 statements. These financial statements show the unfunded pension liability and movements in that liability during the year.

In addition to the primary statements prepared under International Financial Reporting Standards, the *FReM* also requires the Scheme to prepare an additional statement – a Statement of Assembly Supply. This statement, and its supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Principal Civil Service Pension Scheme (NI)

The Principal Civil Service Pension Scheme (NI) is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the Department of Finance and Personnel on behalf of members who satisfy the membership criteria.

Contributions to the Scheme by employers are set at rates determined by the Scheme's Actuary and approved by DFP. Since April 2012 employee contributions have been set by a combination of Scheme Rules and government policy on increased employee contributions. The contributions partially fund payments made by the Scheme, the balance of funding being provided by the NI Assembly through the annual Supply Estimates process. The administrative expenses associated with the operation of the Scheme are borne by the Scheme and disclosed in note 2.18 of the financial statements.

The financial statements of the Scheme show the position of the Principal Civil Service Pension Scheme (NI) at the year end and the income and expenditure during the year. The Combined Statement of Financial Position shows the unfunded net liabilities of the Scheme; the Combined Statement of Comprehensive Net Expenditure shows, amongst other things, factors contributing to the change in the net liability analysed between the pension cost, enhancements and transfers in, and the net financing cost of the pension liability. Further information about the actuarial position of the Scheme is dealt with in the Statement of the Actuary, and the Scheme financial statements should be read in conjunction with that report.

The financial statements also have regard to the recommendations of the Statement of Recommended Practice *Financial Reports of Pension Schemes* to the extent that these are appropriate, together with the Superannuation (Northern Ireland) Order 1972.

1.2 Civil Service Compensation Scheme (NI) – agency arrangements

The Civil Service Compensation Scheme (NI) acts as an agent for employers in the payment of compensation payments arising under the Scheme. Compensation payments are generally recovered from employers on a monthly basis.

2. Statement of accounting policies

The accounting policies contained in the *FReM* follow International Financial Reporting Standards to the extent that they are 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 Scheme financial statements.

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.2 Contributions receivable

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

Employees' contributions, which include amounts paid in respect of the purchase of added years/added pension but which exclude Additional Voluntary Contributions, are accounted for on an accruals basis. The increase in the pension liability associated with the purchase of added years/added pension is recognised as expenditure.

2.3 Transfers in and out

Transfers in and out are generally accounted for on a cash basis. However, where the Scheme has formally accepted or transferred a liability, for example in the case of a group transfer, transfers are accounted for on an accruals basis. Transfers in are simultaneously recognised as income and expenditure (i.e. the increase in the pension liability is accounted for at the same time as the associated income).

Any material transfers that have been agreed but not settled by the end of the financial year, or which are still under negotiation, are disclosed by way of a narrative note.

2.4 Other income

Other income, such as interest on transfer values and pension premiums recovered from employers in the event of early retirement, is accounted for on an accruals basis.

2.5 Current service cost

The current service cost is the increase in the present value of the pension liability arising from employee service in the current period. The cost is based on the discount rate applicable at 1 April 2013, based on the financial and demographic assumptions applying as at 31 March 2013. For this calculation pension increases are assumed to be in line with Consumer Price Index (CPI) for benefits accrued and is recognised in the Combined Statement of Comprehensive Net Expenditure.

2.6 Past service cost

The past service cost is the change in the present value of the pension liability relating to employee service in prior periods arising in the current period as a result of the introduction of reductions or improvements to retirement benefits.

2.7 Pension Financing Cost

The pension financing cost is the increase during the period in the present value of the pension liability because the benefits are one period closer to settlement. The interest cost is based on the discount rate applicable at 1 April 2013, i.e. 4.10% and is recognised in the Combined Statement of Comprehensive Net Expenditure.

2.8 Other expenditure

Other expenditure is accounted for on an accruals basis.

2.9 Pension liability

Provision is made for liabilities to pay pensions and other benefits in the future. The pension liability is measured on an actuarial basis using the projected unit credit method, with allowance for expected future pay increases in respect of active members, and is discounted at the rate applicable at 31 March 2014, being 1.80% real rate (i.e. 4.35% per cent including inflation) (2012-13: 2.35% per cent real rate (i.e. 4.10% per cent including inflation)).

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 period date and updates it to reflect current conditions. The pension liability included in these financial statements has been calculated by rolling forward the results of the work completed to date on the full funding valuation as at 31 March 2012.

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.

2.10 Pension benefits payable

Pension benefits payable are accounted for as a decrease in the pension liability on an accruals basis. Pension benefits are treated as payable only from the time that the Scheme itself has accepted liability.

2.11 Pension payments to those retiring at their normal retirement age

Where a member retiring 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 on an accruals basis.

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

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

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

2.13 Injury benefits

Injury benefits which are determined for the first time and become payable on or after 1 April 2006 are rechargeable to the employing departments, unless the qualifying injury occurred prior to 1 April 1998.

2.14 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.

2.15 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 reporting period date are recognised in the Combined Statement of Comprehensive Net Expenditure.

2.16 Additional voluntary contributions

Additional Voluntary Contributions ('AVCs') are deducted from employees' salaries and are paid over directly by the employers to the approved AVC providers. The aggregate value of these AVC investments are disclosed in note 12.2 to the Scheme financial statements.

2.17 Compensation benefits payable

Compensation benefits payable are accounted for on an accruals basis.

2.18 Administration expenses

An element of the Accruing Superannuation Liability Charge, paid by employers, is appropriated in aid of the Department of Finance and Personnel to offset central management costs. These include the costs associated with the management and development of Civil Service pension arrangements, the procurement of pension payroll and other services, maintenance and development of pension software used by Scheme administrators and the publication of explanatory Scheme material. Employers are responsible for the funding of the day to day administration of the PCSPS(NI) and meet the associated costs from their running cost provision.

In 2013-14 an amount of £1,992k (2012-13 £1,957k) was treated as Accruing Resources of the Department of Finance and Personnel in respect of PCSPS(NI) administration expenses. This has been included as a cost within employer contributions.

2.19 Functional currency

The functional currency is Sterling and all figures have been rounded to the nearest thousand pounds.

2.20 Cash and cash equivalents

The cash balance is based on cash at bank adjusted for any outstanding payments and receipts that have yet to be processed through the financial statements.

2.21 Changes to International Financial Reporting Standards

There have been no changes which would impact on these financial statements.

Statement of Comprehensive Net Expenditure – principal arrangements: Principal Civil Service Pension Scheme (NI)

3. Contributions receivable

	2013-14 £000	2012-13 £000
Employers	169,710	169,816
Employees:		
Normal	42,373	29,304
Purchase of added years/added pension	1,200	1,055
	213,283	200,175

£226.9 million contributions are expected to be payable to the Scheme in 2014-15.

4. Transfers-in (see also Note 8)

	2013-14 £000	2012-13 £000
Group transfers in from other schemes	1,904	5,249
Individual transfers in from other schemes	2,969	2,312
	4,873	7,561

5. Other pension income

	2013-14 £000	2012-13 £000
Amounts receivable in respect of:		
Pension and lump sum premiums recoverable from employers	4,347	457
	4,347	457

6. Service cost (see also Note 16.4)

	2013-14 £000	2012-13 £000
Current service cost	290,000	250,000
	290,000	250,000

7. Enhancements (see also Note 16.4)

	2013-14 £000	2012-13 £000
Employees:		
Purchase of added years/added pension	1,200	1,055
	1,200	1,055

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

8. Transfers in – additional liability (see also Note 4)

	2013-14 £000	2012-13 £000
Group transfers in from other schemes	1,904	5,249
Individual transfers in from other schemes	2,969	2,312
	<u>4,873</u>	<u>7,561</u>

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, and as part of the movement in the pension provision during the year.

9. Injury benefits

	2013-14 £000	2012-13 £000
Injury benefits payable	881	844
Less: recoverable from employers	(881)	(844)
	<u>-</u>	<u>-</u>

Injury benefits which are determined for the first time and become payable on or after 1 April 2006 are rechargeable to the employing departments, unless the qualifying injury occurred prior to 1 April 1998.

10. Pension financing cost (see also Note 16.4)

	2013-14 £000	2012-13 £000
Net interest on defined benefit liability	370,000	380,000
	<u>370,000</u>	<u>380,000</u>

Statement of Comprehensive Net Expenditure – agency arrangements with the Civil Service Compensation Scheme (NI)

11. Compensation benefits payable

The following represent the total annual compensation payments and compensation lump sums payable.

	2013-14 £000	2012-13 £000
Recoverable from employers (cash flow statement)	(3,585)	(1,645)
Total annual compensation payable	<u>3,585</u>	<u>1,645</u>
Lump sums payable recoverable from employers	(6,591)	(6,687)
Total lump sums payable	<u>6,591</u>	<u>6,687</u>

12. Additional Voluntary Contributions

12.1 The Principal Civil Service Pension Scheme (NI) provides for employees to make additional voluntary contributions (AVCs) to supplement their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment to one of the approved providers. The Managers of the Principal Civil Service Pension Scheme (NI) are responsible only for ensuring that members' contributions are paid to the approved providers. These transactions are not recorded in the main Scheme financial statements. Instead, they are recorded by way of a note to the Scheme financial statements. Members participating in this arrangement each receive an annual statement made up to 5 April from the approved provider confirming the amounts held on their account and the movements in the year.

12.2 The aggregate amounts of AVC investments are as follows:

	2013-14	2012-13
	£000	£000
Scottish Widows		
Balance as at 6 April	4,911	5,041
Contributions received	176	209
Settlements	(224)	(743)
Changes in market value of investments	214	404
	<hr/>	<hr/>
Balance as at 5 April	5,077	4,911

	2013-14	2012-13
	£000	£000
The Equitable Life Assurance Policy		
Balance as at 6 April	820	939
Contributions received	31	42
Life assurance premiums	(14)	(17)
Retirement benefits	(26)	(155)
Leavers (transfers and withdrawals)	(3)	(30)
Internal transfers to other policies insured by the Society	-	5
Payment for death and refunds	-	(40)
Contributions received but not yet used to purchase benefit	(2)	(4)
Changes in market value of investments	31	80
	<hr/>	<hr/>
Balance as at 5 April	837	820

	2013-14	2012-13
	£000	£000
Standard Life		
Balance as at 6 April	1,997	1,985
Contributions received and transfers in	64	117
Expenditure and transfers out	(114)	(323)
Changes in market value of investments	154	218
	<hr/>	<hr/>
Balance as at 5 April	2,101	1,997

Statement of Financial Position: Principal arrangements: Principal Civil Service Pension Scheme (NI)

13. Receivables – contributions due in respect of pensions

13.1 Analysis by type	2013-14 £000	2012-13 £000
Amounts falling due within one year:		
Pension contributions due from employers	12,288	13,168
Employees' normal contributions	2,987	2,302
Contributions for employees' added years/added pension	97	72
Group transfers	168	7,037
Overpaid pensions	560	378
Provision for doubtful debts	(110)	(43)
Other receivables	13	197
Balance at 31 March	16,003	23,111

Included within these figures is £nil (2012-13: £nil) that will be due to the Consolidated Fund once the debts are collected.

There are no amounts due after more than one year as at 31 March 2014 or 31 March 2013.

13.2 Analysis by organisation

	Amounts falling due within one year	
	2013-14 £000	2012-13 £000
Balances with other central government bodies	12,096	19,998
Balances with NHS Bodies	50	57
Balances with public sector organisations	323	347
Balances with bodies external to government	3,534	2,709
Balance at 31 March	16,003	23,111

14. Cash and cash equivalents

	2013-14 £000	2012-13 £000
Balance at 1 April	1,752	30,935
Net change in cash balances	3,897	(29,183)
Balance at 31 March	5,649	1,752

The following balances at 31 March were held at:

Commercial banks and cash in hand	5,649	1,752
Balance at 31 March	5,649	1,752

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

15. Payables – in respect of pensions

15.1 Analysis by type	2013-14 £000	2012-13 £000
Amounts falling due within one year		
Pensions	1,282	1,498
Other payables	4,493	3,294
Amounts issued from the Consolidated Fund for supply but not spent at year end	12,623	8,726
Balance at 31 March	18,398	13,518

There are no amounts payable after more than one year as at 31 March 2014 or 31 March 2013

15.2 Analysis by organisation

	Amounts falling due within one year	
	2013-14 £000	2012-13 £000
Balances with other central government bodies	17,116	12,018
Balances with bodies external to government	1,282	1,500
Balance at 31 March	18,398	13,518

16. Pension liability

16.1 Assumptions underpinning the provision for pension liability

The Principal Civil Service Pension Scheme (NI) is an unfunded defined benefit scheme. The Government Actuary's Department carried out an assessment of the Scheme liabilities as at 31 March 2014. The Statement of the Actuary on pages 12 to 15 sets out the scope, methodology and results of the work the actuary has carried out. The actuarial liability included in the resource accounts at 31 March 2014 has been calculated using scheme cashflow experience over the roll forward period from March 2012. Membership data, demographic and mortality assumptions are at 31 March 2012.

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

- Scheme membership, including age and gender profiles, 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 and 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.

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

The key financial assumptions used by the actuary were:

	At 31 March 2014 %	At 31 March 2013 %	At 31 March 2012 %	At 31 March 2011 %	At 31 March 2010 %
Rate of increase in salaries (long term)	4.5	3.95	4.25	4.9	4.3
Rate of increase in pensions in payment and deferred pensions	2.5	1.70	2.00	2.65	2.75
Rate of return (discount rate)	4.35	4.10	4.85	5.6	4.6
<i>Inflation assumption</i>					
Rate of return in excess of:					
Pension increases (RPI)	n/a	n/a	n/a	n/a	1.8
Pension increases (CPI)	1.8	2.35	2.80	2.9	2.5
Earnings increases	(0.15)	0.15	0.60	0.7	0.3

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 managers acknowledge that the valuation reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the 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. The rates are set out in the above table. Any decrease in the discount rate net of inflation leads to a significant increase in the reported liability.

In accordance with IAS 19 the Scheme managers are 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 assumptions 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 analyses, are included in the analysis of the pension liability below. In the opinion of the Scheme managers, the actuary has used key assumptions that are most appropriate for the Scheme in the light of current knowledge.

16.2 Analysis of the provision for pension liability

Categories	At 31 March 2014 £bn	At 31 March 2013 £bn	At 31 March 2012 £bn	At 31 March 2011 £bn	At 31 March 2010 £bn
Pensions in Payment	3.74	3.58	3.03	2.79	3.02
Deferred Pensions	0.51	0.41	0.35	0.23	0.29
Active Members (Past Service)	5.34	5.10	4.51	3.92	4.54
Total *	9.59	9.09	7.90	6.94	7.85

* The individual category values at March 2012 have been rounded.

Pension scheme liabilities accrue over employees' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the Scheme liability, the Actuary must estimate the impact of several inherently uncertain variables far into the future. The variables include not only the key financial assumptions

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

noted above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable. Mortality rates are based on relevant actuarial mortality tables. Life expectancies resulting from these assumptions are provided in Note 16.9.

16.3 Sensitivity analysis

The value of the liability included in the statement of financial position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The managers of the Scheme accept that, as a consequence, the valuation provided by the actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in note 16.7. Note 16.8 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.

The actual liability will differ from the figures quoted to the extent that the underlying assumptions are not borne out in practice, and (if applicable) to the extent that the data provided proves to be inaccurate.

The key financial assumptions are the rate of return net of price inflation and the rate of return net of salary inflation. The key demographic assumption is members’ longevity. Table G in the Statement of the Actuary on page 15 indicates the order of magnitude of changes to these assumptions on the Scheme’s liabilities.

16.4 Analysis of movements in the pension liability

	Note	2013-14 £000	2012-13 £000
Pension liability at 1 April		9,090,000	7,900,000
Current service cost	6	290,000	250,000
Pension financing cost	10	370,000	380,000
Enhancements	7	1,200	1,055
Pension transfers in	8	4,873	7,561
Benefits payable	16.5	(290,746)	(267,907)
Pension payments to and on account of leavers	16.6	(7,465)	(4,717)
Actuarial loss	16.7	132,138	824,008
Pension liability at 31 March		9,590,000	9,090,000

During the year ended 31 March 2014, employer contributions represented an average of 19.5% (2012-13: 19.5%) of pensionable pay. Any further amendment to contribution rates will be determined following the completion of the full formal valuation as at 31 March 2012 and following completion of the new Scheme design.

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2014

16.5 Analysis of benefits paid

	2013-14 £000	2012-13 £000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	223,399	211,257
Commutations and lump sum benefits on retirement	67,347	56,650
Total benefits paid	290,746	267,907

16.6 Analysis of payments to and on account of leavers

	2013-14 £000	2012-13 £000
Refunds to members leaving service	1,352	1,281
Group transfers to other schemes	1,232	(156)
Individual transfers to other schemes	4,881	3,592
Total payments to and on account of leavers	7,465	4,717

16.7 Analysis of actuarial loss

	2013-14 £000	2012-13 £000
Experience gain arising on the pension liability	140,000	-
Changes in financial assumptions underlying the present value of pension liability	(552,138)	(794,008)
Changes in demographic assumptions underlying the present value of pension liability	280,000	(30,000)
Total actuarial loss	(132,138)	(824,008)

16.8 History of experience gains/(losses)

	2013-14	2012-13	2011-12	2010-11	2009-10
Experience gains/(losses) on pension liability:					
Amount (£000)	140,000	-	(450,000)	180,000	(120,000)
Percentage of the present value of the pension liability	1.5%	-	5.7%	2.6%	1.5%
Total amount recognised in Statement of Changes in Taxpayers' Equity:					
Amount (£000)	(132,138)	(824,008)	(569,093)	651,842	(1,962,344)
Percentage of the present value of the Pension liability	1.4%	9.1%	7.2%	9.4%	25.0%

16.9 Life expectancy

Tables 1 and 2 show the life expectancy at age 60 and at age 65 respectively of pensioners retiring in normal health, under the mortality assumptions used for this and the previous assessment.

Table 1

Life expectancy of normal health pensioners at age 60 (in years)

	As at 31 March 2014		As at 31 March 2013	
	Men	Women	Men	Women
Current Pensioners	28.0	29.7	27.6	30.5
Future Pensioners * Actives and Deferred members	29.7	31.4	29.3	32.2

* The life expectancy from age 60 of active and deferred members will depend on their current age. This table shows the life expectancy from age 60 for future pensioners currently aged 45.

Table 2

Life expectancy of normal health pensioners at age 65 (in years)

	As at 31 March 2014		As at 31 March 2013	
	Men	Women	Men	Women
Current Pensioners	23.2	24.8	22.8	25.5
Future Pensioners** Actives and Deferred members	25.3	26.9	25.0	27.7

** The life expectancy from age 65 of active and deferred members will depend on their current age. This table shows the life expectancy from age 65 for future pensioners currently aged 45.

Statement of Financial Position – Agency arrangements: Civil Service Compensation Scheme (NI)

17. Receivables – Non-supply

	2013-14	2012-13
	£000	£000
Recoverable annual compensation payments	799	457
Recoverable lump sums	73	1,579
	872	2,036

Included with these figures is £nil (2012-13: £nil) that will be due to the Consolidated Fund once the debts are collected.

18. Payables – Non-supply

	2013-14 £000	2012-13 £000
Other payables (amounts falling due within one year)		
Compensation payments	12	66
	<u>12</u>	<u>66</u>

19. Financial instruments

As the cash requirements of the PCS(S)(NI) are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector scheme of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Scheme’s expected purchase and usage requirements and the Scheme is therefore exposed to little credit, liquidity or market risk.

20. Contingent liabilities disclosed under IAS 37

AVCs

In the unlikely event of a default by one of the approved AVC providers, DFP will guarantee pension payments. This guarantee does not apply to members who make payments to institutions offering FSAVCs.

21. Losses and special payments

During 2013-14, 163 pension over payments amounting to £50,663 were written off (2012-13: 212 pension overpayments amounting to £36,572 were written off). No individual loss was greater than £250k.

22. Related-party transactions

The Pension Scheme and the Compensation Scheme fall within the ambit of the Department of Finance and Personnel, which is regarded as a related party with which the Schemes have had various material transactions during the year.

In addition, the Schemes have had material transactions with other government departments, and other central government bodies whose employees are members of the Schemes.

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

23. Events after the Reporting Period

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

Date of authorisation for issue

The Accounting Officer authorised these financial statements for issue on 2 July 2014.