Department of Finance and Personnel

Superannuation and Other Allowances Resource Accounts

For the year ended 31 March 2015

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

3 July 2015

This publication is also available to download from our website at www.dfpni.gov.uk.

Any enquiries regarding this document should be sent to the Finance Director, Department of Finance and Personnel, Rathgael House, Balloo Road, Bangor, BT19 7NA.

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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 33,491 current members, 8,404 deferred members and 28,189 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.

MANAGERS, ADVISERS AND EMPLOYERS

Managers

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Auditor
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Employers
Principal Employer
All NICS Departments and Agencies

Additional Bodies
As listed at the end of this report.

SCHEME SUMMARY

The PCSPS(NI) rules which were in force for the year ended 31 March 2014 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 6.85% accordingly from 1 April 2014.

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 8.85% accordingly from 1 April 2014.

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 7 April 2014 by 2.7%.

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 8.85% accordingly from 1 April 2014.

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

Scheme Regulations will see the introduction of a new pension scheme, the ‘alpha’ scheme, with effect from 1 April 2015 and the (PCSPS(NI)) will close to new entrants. The PCSPS(NI) includes the Classic, Classic Plus, Premium, and Nuvos arrangements.

The majority of current members are in Classic, Classic Plus, Premium and Nuvos, and all new members will join the Alpha scheme from 1 April 2015. Some will have a tapered enrolment date depending on their age on 1 April 2012 and others will be eligible to remain in Classic or their current PCSPS(NI) arrangement, provided they were at least 50 years of age on or before 1 April 2012.

The alpha scheme is a career average scheme and will replace all the current final salary arrangements under the PCSPS(NI). The alpha scheme design is similar to Nuvos, which is a defined benefit arrangement and has been offered to all staff starting service since July 2007 (and which is also a career average scheme). The accrual rate will be 2.32% of pensionable earnings each year. The pension age for the alpha scheme will be equal to State Pension Age. The average member contributions will be 5.6% from 1 April 2015, based on actual earnings, rather than full time equivalent earnings– tiered to protect those with lower earnings.

From 1 February 2013 all new entrants were automatically enrolled into a pension scheme. Generally, with effect from 1 April 2015, most new employees will be entered into the alpha pension scheme on taking up employment.

The NICS Pension Scheme provides ill-health, death and dependent 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 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 2014-15

A Statutory Rule – The Pensions Increase (Review) Order (Northern Ireland) 2015 was made. This provided for an increase of 2.7% in public sector pensions from 7 April 2014.

A Statutory Rule – The Public Service (Civil Servants and Others) Pensions Regulations (Northern Ireland) 2014 was made. This enables the introduction of the new Career Average Revalued Earnings scheme for civil servants and other persons as determined by the Department of Finance and Personnel under the Public Service Pensions Act (Northern Ireland) 2014. This Rule came into operation on 1 April 2015 and the Scheme will be called 'alpha'.

A Statutory Rule – The Public Service (Civil Servants and Others) Pensions (Consequential and Amendment) Regulations (Northern Ireland) 2015 was made. This Rule makes consequential provision in relation to public service pensions for civil servants and other public service workers and amends a previous set of regulations. These changes were made to ensure that the new 'alpha' pension scheme operates as intended within the wider framework of pensions and tax legislation. This Rule came into effect on 1 April 2015.

A Statutory Rule - The Public Service (Civil Servants and Others) Pensions (Amendment) Regulations (Northern Ireland) 2015 was made. This Rule amends The Public Service (Civil Servants and Others) Pensions Regulations (Northern Ireland) 2014 by inserting a new Schedule 3 and 4 into the 2014 Regulations to make provision for ill health benefits and death benefits in respect of persons who have a Partnership Pension account. This replicates the previous scheme arrangements under the PCSPS(NI). The Statutory Rule also makes other minor amendments to The Public Service (Civil Servants and Others) Pensions Regulations (Northern Ireland) 2014 (S.R. 2014 No. 290). This Rule came into operation on 1 April 2015.

A Statutory Rule - The Superannuation (District Councils) Order (Northern Ireland) 2014 was made. This will allow current members of NICS Pension Schemes to retain their scheme membership when they transfer to the new councils from the Northern Ireland Civil Service. This Rule came into operation on 1 April 2015.

The following changes were made to the rules of the NICS Pension Schemes:

Title of legislation and change introduced	**Northern Ireland Civil Service Pension arrangement to which change was made:**				
	PCSPS(NI) Scheme Section				**2015 Pension Scheme Regulations**
	1972 Section II Classic	**2002 Section I Classic Plus & Premium**	**2007 Section III Nuvos**	**Section IV General Provisions Section**	**alpha pension scheme**
The Principal Civil Service Pension Scheme (Amendment No.3) Scheme (Northern Ireland) 2014 The amendments enable the PCSPS(NI) to comply with the revised Fair Deal guidance as set out in the HM Treasury paper Fair Deal for Staff Pensions: Staff Transfers from Central Government (October 2013).	Applies	Applies	Applies	Does not apply	Does not apply
The Principal Civil Service Pension Scheme (Amendment) Scheme (Northern Ireland) 2015 The amendment has the effect that staff employed in the district councils, other than those transferred from employment in the civil service on 1 April 2015, are not eligible for membership of the civil service pension scheme.	Applies	Applies	Applies	Does not apply	Does not apply
The Public Service (Civil Servants and Others) Pensions (Consequential and Amendment) Regulations (Northern Ireland) 2015 The amendment regulation makes consequential provision in relation to public service pensions for civil servants and other public service workers and amends a previous set of regulations.	Does not apply	Does not apply	Does not apply	Does not apply	Effective from 1 April 2015

The Public Service (Civil Servants and Others) Pensions (Amendment) Regulations (Northern Ireland) 2015 These amendment regulations amend The Public Service (Civil Servants and Others) Pensions Regulations (Northern Ireland) 2014 so as to make provision in relation to persons who have a partnership pension account.	Does not apply	Does not apply	Does not apply	Does not apply	Effective from 1 April 2015

TRANSFERS

The following represents the position in relation to bulk transfers completed or ongoing throughout the 2014-15 financial year:

Name	**Comments**
Chief Electoral Officer for Northern Ireland	**Bulk Transfer In (Complete)** 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.
Sport NI	**Bulk Transfer In (Complete)** Bulk transfer of employment of approximately 6 members effective from 1 August 2012. Payment received on 21 January 2015.
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 2015/16.
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 2015/16.
Consumer Futures	**Bulk Transfer In (Ongoing)** Bulk transfer of employment of 2 members effective from 1 April 2014. Transfer process is underway with payment expected in 2015/16.
Legal Services Commission	**Bulk Transfer In (Ongoing)** Bulk transfer of employment of 140 members effective from 1 April 2015. Transfer process is underway with payment expected in 2015/16.
Youth Justice Agency	**Bulk Transfer In (Ongoing)** Bulk transfer of employment of 270 members effective from 1 April 2015. Transfer process is underway with payment expected in 2015/16.
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 in 2015/16.

DHSSPS	**Bulk Transfer Out (Complete)** Transfer of one member of staff on 1 April 2012. Payment made on 6 June 2014.
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 2015/16.

In addition, there will be a residual payment in respect of Northern Ireland Water Limited to be made in 2015/16.

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 respectively. Year 3 increases were implemented for 2014-15, with effect from 1 April 2014, following consultation issued on 18 November 2013.

SCHEME VALUATION

The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The previous completed actuarial valuation of the PCSPS(NI) was carried out as at 31 March 2007. The 2010 valuation was not completed as HM Treasury instructed that scheme valuations should be suspended. The 2012 scheme valuation was completed by GAD in February 2015. The outcome of this valuation has been used to set the level of contributions for the new 2015 alpha pension scheme. Employee contributions are dependent on the level of actual pensionable earnings and range from 3% to 8.05 % accordingly from 1 April 2015 to 31 March 2016. The rate of employee contributions will be reviewed each year. The employer contribution rate is an average of 22.3% pensionable pay from 1 April 2015. This includes a 5.1% contribution payable over fifteen years to correct a shortfall at 31 March 2012. The employer cost cap has been set at 18.3% of pensionable pay.

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 2014/15 CSP dealt with 32 stage 1 cases and 13 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 to 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 offered. 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 since 12 November 2014, the second stage is dealt with by the Head of Pensions Division. In 2014/15 year, formal recording of such cases commenced on 1 October 2014, during which time CSP dealt with 8 cases at stage 1 and no 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, David Sterling, 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 2014-15

		TOTAL
ACTIVE MEMBERS		
Members at 1 April 2014		**34,300**
Opening adjustment		**39**
New entrants in year*		557
Leavers*		(1,405)
Members as at 31 March 2015		**33,491**
DEFERRED MEMBERS		
Deferred as at 1 April 2014		**8,444**
Opening adjustment		**160**
New deferred members		200
Deferreds cessated		(400)
Deferred as at 31 March 2015		**8,404**
PENSIONERS		
Pensioners as at 1 April 2014	Members	**22,373**
	Dependents	**5,242**
Opening adjustment	Members	**52**
	Dependents	**35**
New retirees	Members	1,231
	Dependents	270
Deaths/Cessations/Others	Members	(701)
	Dependents	(313)
Pensioners as at 31 March 2015	Members	**22,955**
	Dependents	**5,234**

Notes:

1. The figures in the table in bold are position statements i.e. they represent the status of membership recorded as at the date in question.

2. The Active Member opening balance as at 1 April 2014 has had to be adjusted due to:
   - Addition of 39 to the opening balance due to housekeeping.

3. The Deferred Member opening balance as at 1 April 2014 has had to be adjusted due to:
   - Addition of 160 to the opening balance adjustment figure to include deferred members in receipt of an annual compensation pension.

4. The Pensioner Member opening balance as at 1 April 2014 has had to be adjusted due to:

   - Addition of 52 to opening balance for leavers with last day of service of 31 March 2014.

5. The Dependants opening balance as at 1 April 2014 has had to be adjusted due to:

   - Addition of 35 to the opening balance – adjustment due to new dependants prior to 1 April 2014 and deaths before 31 March 2014, which were processed after 1 April 2014.

*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
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

Introduction

1. This statement has been prepared by the Government Actuary's Department ('GAD') at the request of the Department of Finance and Personnel (Northern Ireland) ('the Department'). It summarises the pensions disclosures required for the 2014-15 Resource Accounts of the Principal Civil Service Pension Scheme (Northern Ireland) ('the Scheme' or 'PCSPS (NI)').

2. PCSPS (NI) is a statutory scheme, the rules of which are set by DFP 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 2015 to reflect known changes.

Membership data

4. Tables A to C summarise the principal membership data as at 31 March 2012 and 31 March 2015 used to prepare this statement.

Table A -Active members

31 March 2012 membership data			2014-15 accounts
Number	**Total salaries (pa) (£million)**	**Total accrued pensions (£million)**	**Total salaries implied by receipts (£million)**
34,358	**905.27**	**208.27**	**884.15**

i. 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**

i. Including pension increases awarded to 31 March 2012

Table C – Pensions in payment

31 March 2012 membership data		2014-15 accounts
Number	**Total pension (pa) (£million)**	**Total pension (pa) (£million)**
26,108	**201.59**	**235.52**

i. Including pension increases awarded to 31 March 2012
ii. Including pension credit members

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 2014-15 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2015 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. We added an allowance for administration expenses and the cost of post 1 April 2006 injury benefits 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.

7. The benefits provided in the PCSPS(NI) changed from 1 April 2015, with the introduction of the alpha scheme. The Current Service Cost for 2015-16 relies on an estimate of which members are protected in the existing schemes, which members have tapered protection and which members accrue alpha benefits. Going forward, the balance between these sections will change as protected members leave, and tapered members move to alpha. The Current Service Cost will change over time reflecting this change in balance.

Principal financial assumptions

8. The principal financial assumptions adopted to prepare this statement are shown in Table D. With effect from 31 March 2015, the assumed rate of return in excess of pension increases has been reduced from 1.8% a year to 1.3% pa, and the assumed rate of return in excess of earnings has been reduced from (0.15)% pa to (0.65)% pa. With effect from 31 March 2015, the assumed rate of future pension increases is 2.2% pa and the assumed nominal rate of salary growth is 4.2% pa (changed from 2.5% and 4.5% respectively as at 31 March 2014). A short term pay assumption of 1.5% pa above inflation for two years has also been assumed.

Table D – Principal financial assumptions

Assumption	31 March 2015	31 March 2014
Rate of return (discount rate)	3.55%	4.35%
Rate of return in excess of:		
Earnings increases	(0.65)%	(0.15)%
Pension increases (CPI)	1.3%	1.8%

9. The pension increase assumption as at both 31 March 2014 and 31 March 2015 is based on the Consumer Price Index (CPI) expectation of inflation.

Demographic assumptions

10. The demographic assumptions adopted to prepare this statement have been derived from the specific experience of the Scheme membership.

11. The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2015, and to determine the Current Service Cost for the year ending 31 March 2016, have been set by DFP based on the results of an analysis of scheme experience between 2010 and 2012 performed as part of the 2012 valuation.

12. 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 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.

13. The contribution rate used to determine the accruing cost in 2014-15 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the previous assessment.

Liabilities

14. Table E summarises the assessed value as at 31 March 2015 of benefits accrued under the Scheme prior to 31 March 2015 based on the data, methodology and assumptions described in paragraphs 4 to 12. The corresponding figures for the previous four year ends are also included in the table.

Table E – Statement of financial position

	31 March 2015 £bn	31 March 2014 £bn	31 March 2013 £bn	31 March 2012 £bn	31 March 2011 £bn
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	(11.40)	(9.59)	(9.09)	(7.90)	(6.94)
Deficit	(11.40)	(9.59)	(9.09)	(7.90)	(6.94)
Of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Accruing costs

15. The cost of benefits accruing in the year ended 31 March 2015 (the Current Service Cost inclusive of members' contributions) is based on a standard contribution rate of 32.6%, 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 2015-16 and 2014-15.

Table F – Contribution rate

	Percentage of pensionable pay	
	2015-16	**2014-15**
Standard contribution rate	35.1%	32.6%

16. 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 22.3% on average from April 2015 (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 1.80% net of CPI for the 2014-15 Current Service Cost (2.35% pa net of CPI for 2013-14) compared with 3% pa net of RPI for the existing Scheme funding rate. 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 DFP. The discount rate for Resource Accounts is set each year by HM Treasury to reflect the requirements of IAS19.

17. The pensionable payroll for the financial year 2014-15 was £884 million (provided by DFP). Based on this information, the accruing cost of pensions in 2014-15 (at 32.6% of pay) is assessed to be £288 million.

Sensitivity analysis

18. 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 2015 of changes to the main actuarial assumptions.

19. 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)). Key demographic assumptions are pensioner mortality and assumed age retirement.

20. Table G shows the indicative effects on the total liability as at 31 March 2015 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	-9.8%	- £1.1 billion
(ii) earnings increase:	+ ½% a year	+3.4%	+ £0.39 billion
(iii) pensions increase:	+ ½% a year	+7.6%	+ £0.87 billion
Pensioner mortality			
(iv) pensioners assumed to live one year longer:		+2.3%	+£0.26 billion
(v) active members retire in normal health 1 year later, on average, than assumed:		-0.5%	-£0.06 billion

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

21. 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
15 May 2015

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 pension 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; and
- 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 the end of this statement.

This Governance Statement, which has been agreed by the Board, sets out how these responsibilities have been discharged during 2014-15. The Board's responsibilities include the core Department of Finance and Personnel, its agency and the Principal Civil Service Pension Scheme (Northern Ireland).

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 2014-15 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 Northern Ireland 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; and
- 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; and
- improving online access to government services by the citizen.

In light of the Executive's decision to revise and extend the existing Programme for Government (PfG) for an additional year (with a new PfG developed for the period from 2016-17), the Department of Finance and Personnel's operational business plan for 2015-16 is a one-year stand-alone plan that draws on the existing Programme for Government commitments and the strategic objectives set in our 2012-15 Corporate Plan. It will then be followed by a multi-year corporate plan in line with the next PfG.

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 2014-15 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 Director of Finance and the Director of Corporate Services. The Director of Human Resources has line management responsibility for Civil Service Pensions which provides pension and compensation services to employers and employees as set out in these resource accounts.

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 2014-15 the Board held regular discussions on finance and HR issues, performance against business plan objectives, fraud and whistleblowing, management of departmental risks and articles for the Staff Brief.

It is envisaged that the Board will discuss similar issues covering the breadth of the Department's areas of responsibility during 2015-16, including the impact of the Voluntary Exit Scheme and future budget reductions.

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 2014-15:

	Number of meetings attended
Non-executive members	
Stephen Hodkinson	10 of 11
Dolores O'Reilly	10 of 11
Executive members	
Stephen Peover	2 of 2
David Sterling	9 of 9
Des Armstrong	9 of 11

Colum Boyle	6 of 6
Anne Breen	11 of 11
Michael Brennan	8 of 11
Norman Caven	9 of 11
Colin Lewis	10 of 11
Oswyn Paulin	10 of 11
Colin Sullivan	10 of 11
Paul Wickens	8 of 11
John Wilkinson	4 of 5
Brigitte Worth	10 of 11

A formal review of the Board's effectiveness, including a review of the quality of data received, was conducted in March 2014 by the Corporate Improvement Centre. An Improvement Plan was drawn up and agreed by the Board and this 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; and
- Any other interests that could have a conflict.

For 2014-15, the Accounting Officer has been provided with assurance that no Board members have declared any conflict of interest with the business of the Department including the Principal Civil Service Pension Scheme (Northern Ireland).

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.

The Committee met on 4 occasions during the course of 2014-15. 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;
- Managing sickness absence within both the NICS and DFP;
- Implementation of the interim rate rebate scheme;
- Levels of assurance in relation to information risk within NICS;
- Public Sector Reform;
- Reform of Public Service Pension Schemes;
- Peace IV and Interreg VA Programmes;

- Regularity of payments in relation to EU Programmes 2007-13 for which DFP is the Accountable Department; and
- Equal pay vulnerabilities.

The risk profile for the Department has also been reviewed regularly by both 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 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.

The Departmental Board has 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; and
- Fraud and whistleblowing.

The Chair of the DARC presents the minutes of each DARC meeting to the Departmental Board, and prepares an annual report outlining the work undertaken by the Committee and provides assurance on the systems of internal control in operation across DFP including the Principal Civil Service Pension Scheme (Northern Ireland).

A review of DARC effectiveness was undertaken in February 2015. An Action Plan was drawn up, agreed by 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 NIAO and the 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.

As a result of a recommendation highlighted in the March 2014 review of Board Effectiveness, the Board established a process whereby business cases involving significant expenditure are reviewed by a “casework committee” comprising of 3 Departmental Board members who are independent of the business area proposing the project prior to approval being granted. This committee formed in November 2014 and reviewed 7 projects in the period to 31 March 2015.

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, including Civil Service Pensions, 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. Civil Service Pensions also maintains a risk register which is reviewed regularly throughout the financial year.

Departmental Performance

The DFP Operational Plan 2014-15 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, compliance with performance management framework, 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.

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, including Civil Service Pensions, 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 2014-15 which has enabled the provision of opinions 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.

In his Annual Assurance Report, the Head of Internal Audit provided an overall **satisfactory** opinion 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.

Internal audit has issued an audit report on Civil Services Pensions which was undertaken in January 2015. The report contained a **satisfactory** opinion on the systems of internal control established within Civil Service Pensions. They made two recommendations to enhance the existing control framework which are currently being implemented by management.

The DARC receives a summary position of the Recommendations Register, which details all agreed Internal Audit Recommendations, including those arising out of any Civil Service Pensions audit reports, at each meeting. This supports DARC in identifying those recommendations which are past due or which require further discussion at DARC level.

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

The Senior Information Risk Owner (SIRO) is a Board member and has clearly defined reporting responsibilities in providing an annual assessment of information risk performance to the Accounting Officer. An Information Risk Register is now operational in the Department, which includes Civil Service Pensions, and is designed to provide the Board and the SIRO with an oversight of corporate and operational information risks, including risks associated with both the manual and electronic processing of personal and sensitive data.

The Department has an Information Assurance (IA) Framework in place which supports sound governance arrangements. The Department has also adopted the HMG Information Assurance Maturity Model (IAMM) and the Security Policy Framework in developing a strategic approach to IA. The Departmental Board instigated a review in 2014 with the objective that each Business Area achieves Level 3 compliance with the IAMM.

Fraud prevention and awareness

The DFP Fraud Working Group continued to meet during 2014-15 to consider and correspond on issues in relation to fraud, raise awareness of anti-fraud measures and disseminate information pertinent to the prevention and detection of fraud. Actions taken during 2014-15 include the update of business area fraud risk assessments and the Departmental Fraud Risk Register, the update of the DFP Anti Fraud Policy and Fraud Response Plan, and the commencement of the National Fraud Initiative 2014.

Civil Service Pensions fully participates in the National Fraud Initiative and is progressing work on reviewing data matches which were issued in January 2015. Any cases of suspected fraud arising from this work or from other sources are fully investigated and reported to the police where appropriate in accordance with DFP's Fraud Response Plan.

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.

Excess Votes

An excess vote of £68,328,000 occurred during 2014-15 as a result of the Scheme interest charge, calculated for the Spring Supplementary Estimate, being understated. In order to avoid the potential for a similar interest calculation error occurring in future, it has been agreed with the scheme actuary that they will review any actuarial calculations including the pension financing interest cost, required for the Spring Supplementary Estimate, before the Estimate is finalised.

A net cash requirement excess vote, outstanding from the 2004-05 financial year, was given budget approval in the 2014-15 Estimate. This excess vote position has now been regularised and is reported in the 2014-15 Statement of Assembly Supply.

Future Pension Scheme Governance Arrangements

The governance arrangements for the pension scheme will change during 2015-16 with the requirement, under the Public Service (Civil Servants and Others) Pension Regulations (Northern Ireland) 2014, to establish a Northern Ireland Civil Service Pension Board and a Scheme Advisory Board. Preparations are underway to appoint board members including an independent chair person of the Pension Board.

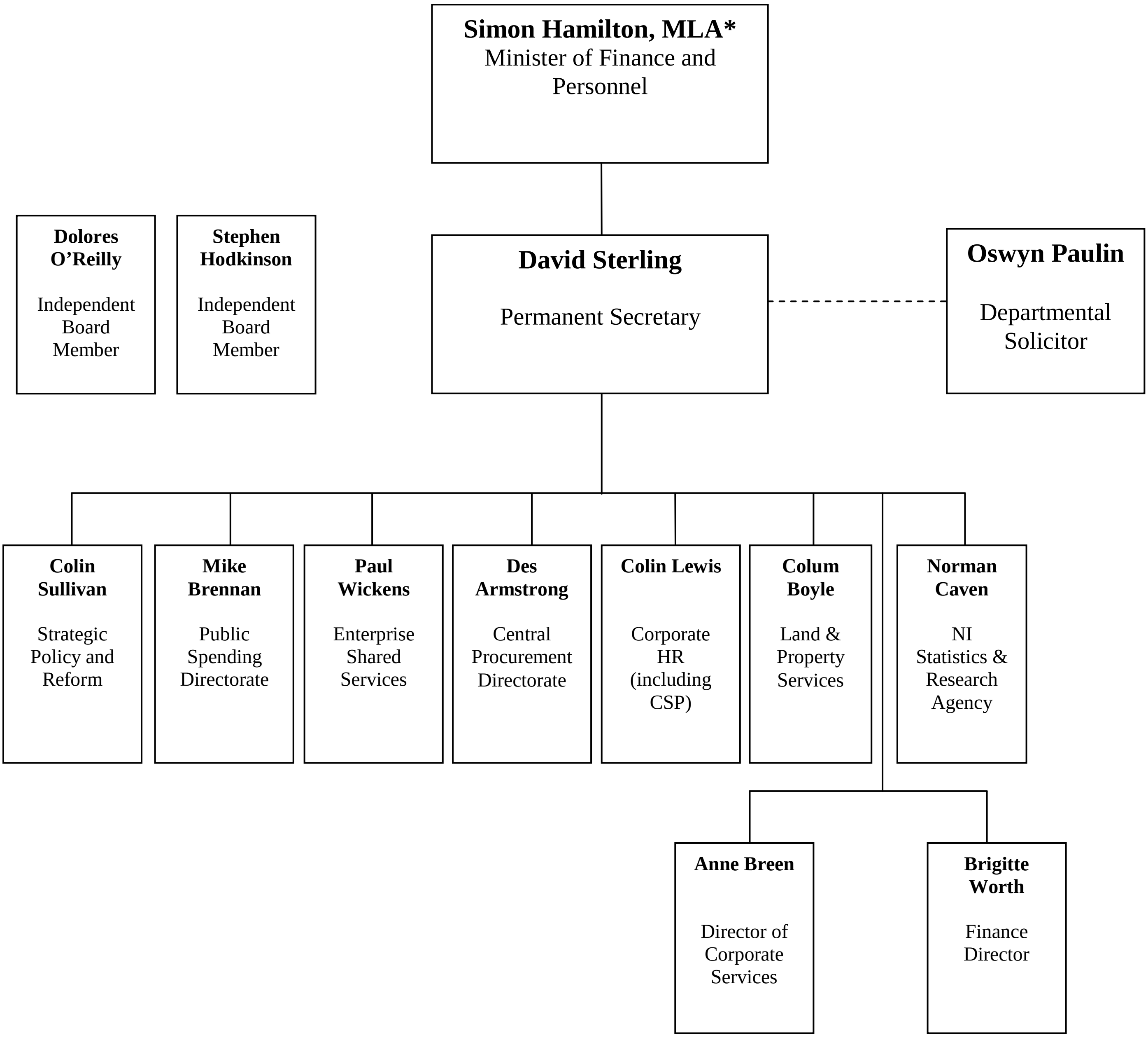
Conclusion

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 2014-15. These governance arrangements and controls apply throughout the whole Department's remit including the Principal Civil Service Pension Scheme.

APPROVED AND SIGNED

DAVID STERLING
Accounting Officer
Department of Finance & Personnel
Date: 22 June 2015

DFP Organisation Chart 2014-15



***Replaced by Arlene Foster on 11 May 2015**

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 Principal Civil Service Pension Scheme (Northern Ireland) for the year ended 31 March 2015 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 Principal Civil Service Pension Scheme (Northern Ireland)'s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the 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, Statement by 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 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 conform to the authorities which govern them.

Basis for qualified opinion on regularity arising from a breach of an Assembly control total

In 2014-15 the Principal Civil Service Pension Scheme (Northern Ireland) expended more resources than the Assembly had authorised in Request for Resource (RfR) A. In doing so, the Scheme breached the Assembly's control over its expenditure and has therefore incurred an "excess" vote caused by the net resource outturn being exceeded. The net resource outturn for RfR A of £489,577,000 was £68,328,000 in excess of the £421,249,000 authorised by the Assembly.

Qualified opinion on regularity

In my opinion, except for the excess vote of £68,328,000, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded; and
- 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 2015 and of its combined 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, Statement by the Actuary and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

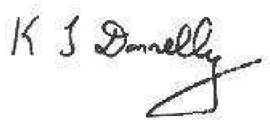
Matters on which I report by exception

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 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

My detailed observations are included in my report attached to these financial statements.



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

30 June 2015

Statement of Assembly Supply

Summary of Resource Outturn 2014-15

								2014-15 £000	2013-14 £000
				Estimate				Outturn	Outturn
Request for Resources	**Note**	**Gross Expenditure**	**Accruing Resources**	**Net total**	**Gross Expenditure**	**Accruing Resources**	**Net total**	**Net total outturn compared with Estimate: saving/(excess)**	**Net total**
Providing for payment to persons covered by the Principal Civil Service Pension Scheme (NI), [PCSPS(NI)], the Civil Service Compensation Scheme (NI), [CSCS(NI)] and the Civil Service Injury Benefit Scheme (NI),[CSIB(NI)].									
Departmental Expenditure in DEL A-1: Redundancy, early retirement and injury benefit payments to those covered by the CSCS(NI) and the CSIB(NI).		15,000	15,000	-	8,272	8,272	-	-	-
Annually Managed Expenditure (AME) A-2: Pensions, lump sums, transfers out, refunds and tax payments to and on behalf of persons covered by the PCSPS(NI).		646,259	225,010	421,249	714,875	225,298	489,577	(68,328)	443,570
Total Resources	SOAS 2.1	**661,259**	**240,010**	**421,249**	**723,147**	**233,570**	**489,577**	**(68,328)**	**443,570**

Summary of net cash requirement 2014-15

					2014-15 £000	2013-14 £000
		Note	**Estimate**	**Outturn**	**Net total outturn compared with Estimate: saving/(excess)**	**Outturn**
Net cash requirement	**Current Year**	SOAS 3	**90,000**	**72,236**	**17,764**	**66,507**
	Excess Vote 2004-05		**6,974**	**6,974**	-	-
	Total		**96,974**	**79,210**	**17,764**	**66,507**

Summary of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the pension scheme and is payable to the Consolidated Fund (cash receipts being shown in italics)

		Forecast 2014-15 £000		Outturn 2014-15 £000	
	Note	**Income**	**Receipts**	**Income**	**Receipts**
Total	SOAS 4	-	-	-	-

Notes SOAS 1 to SOAS 5 form part of this statement.

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 2014-15 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 2014-15 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 is only one difference noted below, which is relevant to these accounts.

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). There were no PPAs to report in 2014-15.

SOAS 2. Reconciliation of Estimates, accounts and budgets

SOAS 2.1 Reconciliation of net resource outturn to combined net expenditure

	2014-15 £000 Outturn	Supply Estimate	Outturn compared with Estimate saving/ (excess)	2013-14 £000 Outturn
Net Resource Outturn	489,577	421,249	(68,328)	443,570
Combined Net Expenditure in Statement of Comprehensive Net Expenditure	489,577	421,249	(68,328)	443,570

Explanation of the variation between Estimate and Outturn:

The variance between the AME outturn and Estimate of £68.3m represents a 16.2% overspend. The variance arose from a misunderstanding between the Department and the Government Actuary's Department (the scheme actuary) in respect of the interest rate to be used when calculating the amount of estimated expenditure for the Supply Estimates process, which resulted in the interest cost being calculated using a rate of 3.55% instead of 4.35% resulting in a £79,000,000 underestimate. This amount was partly offset by actual current service costs being £10,000,000 lower than forecast. The forecast current service cost for the Estimate is calculated using an up-rating factor which is applied to forecast employer contributions for the year.

In order to avoid the potential for a similar interest calculation error occurring in future, it has been agreed with the scheme actuary that they will review any actuarial calculations including the pension financing interest cost, required for the Spring Supplementary Estimate, before the Estimate is finalised.

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	421,249	489,577	(68,328)
Accruals adjustments				
Non-cash items	16.4	(646,259)	(714,875)	68,616
Changes in working capital other than cash		13,794	1,542	12,252
Use of provision:				
Pension	16.5, 16.6	301,216	295,992	5,224
		90,000	72,236	17,764
Additional cash required for 2004-05 excess vote*		6,974	6,974	-
Net cash requirement		96,974	79,210	17,764

* An Excess Vote was approved under Clause 8 of The Budget (No2) (Northern Ireland) Order 2006, however the funds were not drawn down and approval for additional cash was sought to correct this in the 2014-15 Estimate. The cash was drawn in year but does not contribute to the overall net cash requirement for 2014-15

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. The level of lump sums which retiring pensioners can take on retirement is difficult to forecast. It was considered prudent to assume a high level when forecasting cash requirements to ensure that adequate funds would be available to cover potential demand.

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 (2013-14: £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		2014-15 £000	2013-14 £000
Principal Civil Service Pension Scheme (NI)				
Operating income			225,298	222,503
Adjustments for transactions between Requests for Resources			-	-
Gross income			225,298	222,503
Income authorised to be Accruing Resources		*	225,298	222,503
Operating income payable to the Consolidated Fund			-	-
Civil Service Compensation Scheme (NI)				
Operating income			8,272	11,057
Adjustments for transactions between Requests for Resources			-	-
Gross income			8,272	11,057
Income authorised to be Accruing Resources			8,272	11,057
Operating income payable to the Consolidated Fund			-	-
Operating income payable to the Consolidated Fund	SOAS 4		**-**	**-**

* Although this value exceeds the value of £225,010,000 authorised in the Estimate as accruing resources for the pension subhead line, the calculation of excess accruing resources is at the total Request for Resources function level. When measured at the total function level accruing resources approved in the Estimate was £240,100,000 which was greater than the actual accruing resources of £223,570,000.

Combined Statement of Comprehensive Net Expenditure
for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
Principal Arrangements – Principal Civil Service Pension Scheme (NI)			
Income			
Contributions receivable	3	220,895	213,283
Transfers in	4	3,652	4,873
Other pension income	5	751	4,347
		225,298	**222,503**
Expenditure			
Service cost	6, 16.4	(290,000)	(290,000)
Enhancements	7, 16.4	(1,223)	(1,200)
Transfers in	8, 16.4	(3,652)	(4,873)
Pension financing cost	10, 16.4	(420,000)	(370,000)
		(714,875)	**(666,073)**
Net expenditure		**(489,577)**	**(443,570)**
Agency Arrangements – Civil Service Compensation and Injury Benefit Schemes (NI)			
Benefits payable	11	-	-
Net expenditure		**-**	**-**
Combined net expenditure		**(489,577)**	**(443,570)**
Other Comprehensive Net Expenditure			
Pension re-measurements:			
-Actuarial loss	16.4	(1,391,117)	(132,138)
		(1,391,117)	**(132,138)**
Total Comprehensive Net Expenditure for the year ended 31 March		**(1,880,694)**	**(575,708)**

Notes 1 to 23 form part of these financial statements.

Combined Statement of Financial Position
as at 31 March 2015

	Note	31 March 2015 £000	31 March 2014 £000
Principal arrangements – Principal Civil Service Pension Scheme (NI)			
Current assets:			
Receivables	13	16,754	16,003
Cash and cash equivalents	14	2,044	5,649
Total current assets		**18,798**	**21,652**
Current liabilities:			
Payables (within 12 months)	15	(7,463)	(18,398)
Total current liabilities		**(7,463)**	**(18,398)**
Net current assets excluding pension liability		**11,335**	**3,254**
Pension liability	16.4	(11,400,000)	(9,590,000)
Net liabilities, including pension liability		**(11,388,665)**	**(9,586,746)**
Agency Arrangements – Civil Service Compensation and Injury Benefit Schemes (NI)			
Receivables	17	1,352	872
Payables (within 12 months)	18	(57)	(12)
Net current assets		**1,295**	**860**
Payables (after 12 months)	18	**-**	**-**
Net assets		**1,295**	**860**
Combined schemes – total net liabilities		**(11,387,370)**	**(9,585,886)**
Taxpayers' equity:			
General fund		(11,387,370)	(9,585,886)
		(11,387,370)	**(9,585,886)**

Signed:

Date: **22 June 2015**

David Sterling
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 2015

	Note	General Fund 2014-15 £000	General Fund 2013-14 £000
Balance as at 1 April		9,585,886	9,076,685
Net Assembly Funding - drawn down			
- current year		(61,657)	(70,404)
- 2004-05 excess vote		(6,974)	
Net Assembly Funding - deemed		(12,623)	(8,726)
Supply payable	14	2,044	12,623
Combined net expenditure for the year		489,577	443,570
Actuarial loss	16.4	1,391,117	132,138
Net change in Taxpayers' Equity		1,801,484	509,201
Balance at 31 March		**11,387,370**	**9,585,886**

Notes 1 to 23 form part of these financial statements.

Combined Statement of Cash Flows
for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
Cash flows from operating activities			
Combined net expenditure for the year		(489,577)	(443,570)
(Increase)/decrease in receivables – principal arrangements	13	(751)	7,108
(Increase)/decrease in receivables – agency arrangements	17	(480)	1,164
(Decrease)/increase in payables: pensions			
Short-term payables	15	(10,935)	4,880
Increase/(decrease) in payables: compensation scheme			
Short-term payables	18	45	(54)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		10,579	(3,897)
Increase in pension provision	16.4	710,000	660,000
Increase in pension provision – enhancements and transfers in	16.4	4,875	6,073
Use of provisions – pension liability	16.5	(289,763)	(288,952)
Use of provisions – refunds and transfers	16.6	(5,015)	(7,465)
Use of provisions – death in service	16.5	(1,214)	(1,794)
Net cash outflow from operating activities		**(72,236)**	**(66,507)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		68,631	70,404
From the Consolidated Fund (Supply) – prior year		-	-
Net financing		**68,631**	**70,404**
Compensation agency payments made on behalf of employers	11	4,598	3,585
Reimbursement of compensation payments made on behalf of employers	11	(4,598)	(3,585)
Injury benefit payments made on behalf of employers	9	1,065	881
Reimbursement of injury benefit payments made on behalf of employers	9	(1,065)	(881)
Lump sum payments made on behalf of employers	11	2,609	6,591
Reimbursement of lump sums made on behalf of employers	11	(2,609)	(6,591)
Net financing		**68,631**	**70,404**
Net (decrease)/increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		(3,605)	3,897
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 (decrease)/increase in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund		**(3,605)**	**3,897**
Cash and cash equivalents at the beginning of the year	14	**5,649**	**1,752**
Cash and cash equivalents at the end of the year	14	**2,044**	**5,649**

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 2014-15 *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 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.

1.3 Civil Service Injury Benefit Scheme (NI) – agency arrangements

The Civil Service Injury Benefit Scheme (NI) acts as an agent for employers in the payment of permanent injury benefit payments arising under the Scheme. Injury benefit 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 2014, based on the financial and demographic assumptions applying as at 31 March 2014. For this calculation pension increases are assumed to be in line with Consumer Price Index (CPI) for benefits accrued and are 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 2014, i.e. 4.35% 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 2015, being 1.30% real rate (i.e. 3.55% per cent including inflation) (2013-14: 1.80% per cent real rate (i.e. 4.35% 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 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 employer 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 2014-15 an amount of £2,018k (2013-14 £1,992k) was collected by PCSPS(NI) from participating employers and remitted to the Department of Finance and Personnel in respect of PCSPS(NI) administration expenses all of which are borne by the Department and participating employers of the Scheme.

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

	2014-15 £000	2013-14 £000
Employers	171,970	169,710
Employees:		
Normal	47,702	42,373
Purchase of added years/added pension	1,223	1,200
	220,895	**213,283**

£249.0 million contributions are expected to be payable to the Scheme in 2015-16. The expected increase over 2014-15 is due to increases in employer contributions rates from an average of 19.5%(2014-15) to 22.3% (2015-16) effective from April 2015.

4. Transfers-in (see also Note 8)

	2014-15 £000	2013-14 £000
Group transfers in from other schemes	1,577	1,904
Individual transfers in from other schemes	2,075	2,969
	3,652	**4,873**

5. Other pension income

	2014-15 £000	2013-14 £000
Amounts receivable in respect of:		
Pension and lump sum premiums recoverable from employers	751	4,347
	751	**4,347**

6. Service cost (see also Note 16.4)

	2014-15 £000	2013-14 £000
Current service cost	290,000	290,000
	290,000	**290,000**

7. Enhancements (see also Note 16.4)

	2014-15 £000	2013-14 £000
Employees:		
Purchase of added years/added pension	1,223	1,200
	1,223	**1,200**

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

	2014-15 £000	2013-14 £000
Group transfers in from other schemes	1,577	1,904
Individual transfers in from other schemes	2,075	2,969
	3,652	**4,873**

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 liability during the year.

9. Injury benefits

	2014-15 £000	2013-14 £000
Injury benefits payable	1,065	881
Less: recoverable from employers	(1,065)	(881)
	-	-

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

10. Pension financing cost (see also Note 16.4)

	2014-15 £000	2013-14 £000
Net interest on defined benefit liability	420,000	370,000
	420,000	**370,000**

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.

	2014-15 £000	2013-14 £000
Recoverable from employers (cash flow statement)	(4,598)	(3,585)
Total annual compensation payable	**4,598**	**3,585**
Lump sums payable recoverable from employers	(2,609)	(6,591)
Total lump sums payable	**2,609**	**6,591**

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:

	2014-15 £000	2013-14 £000
Scottish Widows		
Balance as at 6 April	5,077	4,911
Contributions received	162	176
Settlements	(496)	(224)
Changes in market value of investments	483	214
Balance as at 5 April	**5,226**	**5,077**

	2014-15 £000	2013-14 £000
The Equitable Life Assurance Policy		
Balance as at 6 April	837	820
Contributions received	24	31
Life assurance premiums	(14)	(14)
Retirement benefits	(5)	(26)
Leavers (transfers and withdrawals)	(75)	(3)
Internal transfers to other policies insured by the Society	-	-
Payment for death and refunds	-	-
Contributions received but not yet used to purchase benefit	-	(2)
Changes in market value of investments	34	31
Balance as at 5 April	**801**	**837**

	2014-15 £000	2013-14 £000
Standard Life		
Balance as at 6 April	2,101	1,997
Contributions received and transfers in	97	64
Expenditure and transfers out	(212)	(114)
Changes in market value of investments	203	154
Balance as at 5 April	**2,189**	**2,101**

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	2014-15 £000	2013-14 £000
Amounts falling due within one year:		
Pension contributions due from employers	12,729	12,288
Employees' normal contributions	3,517	2,987
Contributions for employees' added years/added pension	69	97
Group transfers	-	168
Overpaid pensions	568	560
Provision for doubtful debts	(195)	(110)
Other receivables	66	13
Balance at 31 March	**16,754**	**16,003**

Included within these figures is £nil (2013-14: £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 2015 or 31 March 2014.

13.2 Analysis by organisation

	Amounts falling due within one year	
	2014-15 £000	2013-14 £000
Balances with other central government bodies	11,625	12,096
Balances with NHS Bodies	50	50
Balances with public sector organisations	1,120	323
Balances with bodies external to government	3,959	3,534
Balance at 31 March	**16,754**	**16,003**

14. Cash and cash equivalents

	2014-15 £000	2013-14 £000
Balance at 1 April	5,649	1,752
Net change in cash balances	(3,605)	3,897
Balance at 31 March	**2,044**	**5,649**
The following balances at 31 March were held at:		
Commercial banks and cash in hand	2,044	5,649
Balance at 31 March	**2,044**	**5,649**

15. Payables – in respect of pensions

15.1 Analysis by type

	2014-15 £000	2013-14 £000
Amounts falling due within one year		
Pensions	1,224	1,282
Other payables	4,195	4,493
Amounts issued from the Consolidated Fund for supply but not spent at year end	2,044	12,623
Balance at 31 March	**7,463**	**18,398**

There are no amounts payable after more than one year as at 31 March 2015 or 31 March 2014.

15.2 Analysis by organisation

	Amounts falling due within one year	
	2014-15 £000	2013-14 £000
Balances with other central government bodies	6,238	17,116
Balances with bodies external to government	1,225	1,282
Balance at 31 March	**7,463**	**18,398**

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 2015. 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 2015 is based on the roll forward of the results of the 2012 full funding valuation calculated using scheme cashflow experience over the roll forward period. Membership data, demographic and mortality assumptions are consistent with the full funding valuation 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.

The key financial assumptions used by the actuary were:

	At 31 March 2015 %	At 31 March 2014 %	At 31 March 2013 %	At 31 March 2012 %	At 31 March 2011 %
Rate of increase in salaries (long term)	4.20	4.50	3.95	4.25	4.90
Rate of increase in pensions in payment and deferred pensions	2.20	2.50	1.70	2.00	2.65
Rate of return (discount rate)	3.55	4.35	4.10	4.85	5.60
Inflation assumption					
Rate of return in excess of:					
Pension increases (CPI)	1.30	1.80	2.35	2.80	2.90
Earnings increases	(0.65)	(0.15)	0.15	0.60	0.70

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 financial statements 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 *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 light of current knowledge.

16.2 Analysis of the provision for pension liability

Categories	**At 31 March 2015 £bn**	**At 31 March 2014 £bn**	**At 31 March 2013 £bn**	**At 31 March 2012 £bn**	**At 31 March 2011 £bn**
Pensions in Payment	4.22	3.74	3.58	3.03	2.79
Deferred Pensions	0.56	0.51	0.41	0.35	0.23
Active Members (Past Service)	6.63	5.34	5.10	4.51	3.92
Total *	**11.40**	**9.59**	**9.09**	**7.90**	**6.94**

* The individual category values at March 2015 and 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 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 pension 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	2014-15 £000	2013-14 £000
Pension liability at 1 April		9,590,000	9,090,000
Current service cost	6	290,000	290,000
Pension financing cost	10	420,000	370,000
Enhancements	7	1,223	1,200
Pension transfers in	8	3,652	4,873
Benefits payable	16.5	(290,977)	(290,746)
Pension payments to and on account of leavers	16.6	(5,015)	(7,465)
Actuarial loss	16.7	1,391,117	132,138
Pension liability at 31 March		**11,400,000**	**9,590,000**

During the year ended 31 March 2015, employer contributions represented an average of 19.5% (2013-14: 19.5%) of pensionable pay. Revised employer contribution rates have been determined by the scheme actuary. These are payable by employers from April 2015 and have been set at an average of 22.3% of pensionable pay.

16.5 Analysis of benefits paid

	2014-15 £000	2013-14 £000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	235,515	223,399
Commutations and lump sum benefits on retirement	55,462	67,347
Total benefits paid	**290,977**	**290,746**

16.6 Analysis of payments to and on account of leavers

	2014-15 £000	2013-14 £000
Refunds to members leaving service	1,112	1,352
Group transfers to other schemes	165	1,232
Individual transfers to other schemes	3,738	4,881
Total payments to and on account of leavers	**5,015**	**7,465**

16.7 Analysis of actuarial loss

	2014-15 £000	2013-14 £000
Experience (loss)/gain arising on the pension liability	(100,000)	140,000
Changes in financial assumptions underlying the present value of pension liability	(1,111,117)	(552,138)
Changes in demographic assumptions underlying the present value of pension liability	(180,000)	280,000
Total actuarial loss	**(1,391,117)**	**(132,138)**

16.8 History of experience gains/(losses)

	2014-15 £000	2013-14 £000	2012-13 £000	2011-12 £000	2010-11 £000
Experience gains/(losses) on pension liability:					
Amount (£000)	(100,000)	140,000	-	(450,000)	180,000
Percentage of the present value of the pension liability	0.9%	1.5%	-	5.7%	2.6%
Total amount recognised in Statement of Changes in Taxpayers' Equity:					
Amount (£000)	(1,391,117)	(132,138)	(824,008)	(569,093)	651,842
Percentage of the present value of the pension liability	12.2%	1.4%	9.1%	7.2%	9.4%

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 2015		As at 31 March 2014	
	Men	Women	Men	Women
Current Pensioners	28.5	30.8	28.0	29.7
Future Pensioners * Active and Deferred members	30.2	32.5	29.7	31.4

* 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 2015		As at 31 March 2014	
	Men	Women	Men	Women
Current Pensioners	23.6	25.8	23.2	24.8
Future Pensioners** Active and Deferred members	25.8	28.0	25.3	26.9

** 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.

The assumptions adopted for the 2014-15 accounts show an increase in life expectancy for males and females.

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

17. Receivables – Non-supply

	2014-15 £000	2013-14 £000
Recoverable annual compensation payments	1,041	799
Recoverable lump sums	311	73
	1,352	**872**

Included with these figures is £nil (2013-14: £nil) that will be due to the Consolidated Fund once the debts are collected.

18. Payables – Non-supply

	2014-15 £000	2013-14 £000
Other payables (amounts falling due within one year)		
Compensation payments	57	12
	57	**12**

19. Financial instruments

As the cash requirements of the PCSPS(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 2014-15, 190 pension overpayments amounting to £33,246 were written off (2013-14: 163 pension overpayments amounting to £50,663 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 30 June 2015.

Department of Finance and Personnel – Superannuation & Other Allowance Resource Accounts 2014-15

Principal Civil Service Pension Scheme (Northern Ireland)

Introduction

The Department of Finance and Personnel (the 'Department') is responsible for securing the most appropriate and effective use of resources and services for the benefit of the community. Its key objective is to deliver quality, cost effective and efficient public services and administration in the Department's areas of executive responsibility.

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI) or the 'Scheme') is administered by the Department's Civil Service Pensions Branch. It is an unfunded, defined-benefit, occupational pension scheme and draws its statutory authority from the Superannuation (Northern Ireland) Order 1972.

The Scheme is applicable to all employees of the Northern Ireland Civil Service plus some additional public sector bodies and offers a wide range of benefits.

Purpose of the Report

Under the Government Resources and Accounts Act (Northern Ireland) 2001, I am required to examine, certify and report on the Department's financial statements. I am also required to satisfy myself that in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them. The Assembly authorises and sets limits on public expenditure in the annual Budget Acts on two bases – 'resources' and 'cash'. These amounts are set out in the Supply Estimates for which Assembly approval and authority is given in the annual Budget Acts. In 2014-15, the PCSPS (NI) breached the resource expenditure limit and therefore an excess occurred. I have qualified my regularity audit opinion in respect of the excess expenditure.

Excess Vote

The PCSPS (NI) resource expenditure allocation for 2014-15 was £421,249,000 and actual expenditure in the period was £489,577,000. Therefore an excess of £68,328,000 against the approved resource expenditure limit occurred. There was no breach of the cash based expenditure limit authorised by the Assembly.

I asked the Department to explain how the excess vote arose. The Department told me the variance arose from a misunderstanding between the Department and the Government Actuary's Department (the scheme actuary) of a query in relation to the interest rate to be used when calculating the amount of estimated expenditure for the Supply Estimates process, which resulted in the interest cost being calculated using a rate of 3.55% instead of 4.35% resulting in a £79,000,000 underestimate. This amount was partly offset by actual current service costs being £10,000,000 lower than estimated costs.

Actions proposed to be taken by the Department

The Department told me that it will seek approval, by way of an excess vote for £68,328,000, from the Assembly in the next Budget Act. The Department has made an agreement with the scheme actuary that in future any actuarial calculations, including the financing interest cost, required for the preparation of the Spring Supplementary Estimates, will be reviewed by the actuary before the Estimate is finalised.

KJ Donnelly
Comptroller & Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
30 June 2015