

**Department of Finance and Personnel**

**Superannuation and Other Allowances**  
**Pension Schemes Statement**

**For the year ended 31 March 2016**

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

*01 July 2016*



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## **DFP – Pension Schemes Statement for the year ended 31 March 2016**

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## **ACCOUNTABILITY REPORT**

### **REPORT OF THE MANAGERS**

#### **INTRODUCTION**

The new alpha pension scheme was introduced with effect from 1 April 2015 as the main pension scheme for the Northern Ireland Civil Service. The majority of new entrants will be automatically enrolled into the alpha scheme on joining on or after 1 April 2015 and approximately 66% of current members moved to the new scheme from that date. The legislation made to introduce the new alpha scheme was titled ‘The Public Service (Civil Servants and Others) Pensions Regulations (Northern Ireland) 2014’. The alpha scheme is an unfunded, defined-benefit, career average revalued earnings (CARE) occupational pension scheme administered by the Department of Finance’s Civil Service Pensions Branch which is based in Waterside House, Londonderry.

The Principal Civil Service Pension Scheme (Northern Ireland), PCSPS(NI), is an unfunded, defined-benefit, occupational pension scheme which is now closed to new entrants unless they have some form of protection from previous public sector employment and only remains available to those in the protected or transitional protected groups for members currently in service. Civil Service Pensions Branch continues to administer the PCSPS(NI). The Scheme draws its statutory authority from the Superannuation (Northern Ireland) Order 1972.

The NI Civil Service Pension Schemes have approximately 30,140 current members, 9,470 deferred members and 29,670 pensioner members and dependents receiving benefits. All employees of the Northern Ireland Civil Service plus some additional public sector bodies are eligible to join one of the NI Civil Service Pension Schemes. The Schemes offer a wide range of benefits. The details of movements in membership during the year are shown at page 11.

#### **MANAGERS, ADVISERS AND EMPLOYERS**

##### **Managers**

###### **Accounting Officer**

**Mr David Sterling**  
DoF  
Clare House  
303 Airport Road West  
BELFAST,  
BT3 9ED

###### **Pension Schemes Administrator**

**Compensation Scheme Administrator**  
**Mrs Colette Heaney**  
DoF  
Civil Service Pensions  
Waterside House  
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BT47 6FP

##### **Advisers**

###### **Scheme Actuary**

**Government Actuary’s Department**  
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15-17 Furnival Street  
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EC4A 1AB

###### **Banker**

**Danske Bank**  
Donegall Square West  
BELFAST,  
BT1 6JS

**DFP – Pension Schemes Statement for the year ended 31 March 2016**

**Legal Advisers**

**Departmental Solicitor's Office**

Victoria Hall  
12 May Street  
BELFAST,  
BT1 4NL

**Auditor**

**Northern Ireland Audit Office**

106 University Street  
BELFAST,  
BT7 1EU

**Employers**

**Principal Employers**

All NICS Departments and Agencies

**Additional Bodies**

See page 13

## **THE SCHEMES' SUMMARY**

alpha is the new occupational pension scheme introduced from 1 April 2015. Employees can join the Scheme where their employer is covered by the NI Civil Service Pension Schemes. alpha provides defined benefits calculated on a CARE basis which means members build up a pension based on a percentage of how much they earn each year. The accrual rate for alpha is 2.32% of pensionable earnings each year. The pension age for the alpha scheme will be equal to and will keep in step with changes to State Pension Age.

The PCSPS(NI) is closed to most new entrants from 1 April 2015 and from 1 April 2015 will only be available to those in the protected group or transitional protected group. The PCSPS(NI) rules are structured into 4 sections. Sections 1, 2 and 3 set out the provisions relating to the different pension arrangements under the Scheme. There are three final salary arrangements (Classic, Classic Plus and Premium) and one 'career average' arrangement (Nuvos). Section 4 of the rules, contain the Scheme governance arrangements and provisions for cost control.

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.

The 2002 Section provides for the Premium final salary arrangement for entrants who joined 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 from 1 October 2002 accrue at 1/60 of final pensionable earnings with no automatic lump sum although pension may be commuted to lump sum on leaving.

Normal pension age for members in Classic, Classic Plus and Premium is 60.

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.

Current members who were at least 50 or over before 1 April 2012 remain in the PCSPS(NI) arrangement to which they are already a member – these are the members in the protected group. Those in the transitional protected group – that is those who were between 46 years and 6 months and younger than 50 were given the option to remain in their PCSPS(NI) arrangement until their tapered enrolment date and then move to alpha or to move to alpha from 1 April 2015. Tapered enrolment is a sliding scale where members who were between 10 years and 13.5 years from their Normal Pension age on 1 April 2012 were able to go into alpha at a date later than 1 April 2015. The length of time members stay in their existing scheme is variable and depends on their age but will be between 2 months and 6 years 10 months from 1 April 2015. The options exercise gave members the choice of retaining their tapered enrolment date or moving to alpha on 1 April 2015. The number optioned was approximately 3,200 and of those optioned only 3 moved into alpha from 1 April 2015.

The average rate of employee contributions for the NI Civil Service Pension Schemes is 5.6% based on actual earnings, rather than the full time equivalent from April 2015 – tiered to protect those with lower earnings. Employee contribution rates range from 4.6% to 8.05% accordingly from 1 April 2015 with the exception of the Classic arrangement in the PCSPS(NI) which range from 3% to 8.05%.

## **DFP – Pension Schemes Statement for the year ended 31 March 2016**

Employer contributions are determined by the Schemes Actuary and are a percentage of members' pensionable earnings. The percentage rates payable are reviewed as part of the periodical actuarial review of the Schemes, which takes place every four years.

Where applicable, benefits payable under any of the Schemes, in addition to increases from the relevant accrual rate, are also indexed annually in April in line with increases / decreases to the cost of living and are determined on the basis of Consumer Price Index (CPI).

Pensions in payment were increased from 6 April 2015 by 1.2%.

From 1 February 2013 all new entrants were automatically enrolled into a pension scheme on joining. Those who opt out are included in a re-enrolment exercise undertaken every 3 years.

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

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

### **Civil Service Pensions Policy Legislation & Communications Branch**

The branch is responsible for the implementation of pension reform and legislation including the required governance arrangements under the 2015 regulations. The branch provide policy and guidance on pension matters to meet the needs of employers and CSP staff and supports the Departments in maintaining compliance with CSP policy. The branch is also responsible for all communications, internal disputes and the maintenance and development of the website.

## **SCHEME CHANGES**

### **Legislative Changes 2015-16**

A Statutory Rule - Superannuation (Assembly Ombudsman for Northern Ireland and the Northern Ireland Commissioner for Complaints) Order (Northern Ireland) 2015 was made. The purpose of the Order is to make pension provision in the Principal Civil Service Pension Scheme (Northern Ireland) for employment by the Assembly Ombudsman for Northern Ireland and the Northern Ireland Commissioner for Complaints. The Order came into operation on 21 October 2015 and has retrospective effect from 1 July 2015.

A Statutory Rule - The Public Service Pensions (Assembly Ombudsman for Northern Ireland and the Northern Ireland Commissioner for Complaints) Regulations (Northern Ireland) 2015 was made. The purpose of the Regulations is to specify persons employed by the Assembly Ombudsman for Northern Ireland and the Northern Ireland Commissioner for Complaints as persons to whom the scheme, established under the Public Service (Civil Servants and Others) Pension Regulations (Northern Ireland) 2014, may potentially relate, in accordance with section 25(3) of the Public Service Pensions Act (Northern Ireland) 2014. The Regulations came into operation on 21 October 2015 and have retrospective effect from 1 July 2015.

## **DFP – Pension Schemes Statement for the year ended 31 March 2016**

A Statutory Rule - The Superannuation (Certification Officer for Northern Ireland) Order (Northern Ireland) 2016 was made. The purpose of the Order is to make pension provision in the Principal Civil Service Pension Scheme (Northern Ireland) for employment in the office of the Certification Officer of Northern Ireland. The Order came into operation on 17 March 2016 and has retrospective effect from 15 June 2012.

A Statutory Rule - The Public Service Pensions (Certification Officer for Northern Ireland) Regulations (Northern Ireland) 2016 was made. The purpose of the Regulations is to specify persons employed in the office of the Certification Officer of Northern Ireland as persons to whom the scheme, established under the Public Service (Civil Servants and Others) Pension Regulations (Northern Ireland) 2014, may potentially relate, in accordance with section 25(3) of the Public Service Pensions Act (Northern Ireland) 2014. The Regulations came into operation on 17 March 2016 and have retrospective effect from 15 June 2012.

A Statutory Rule - The Public Service Pensions (Certification Officer for Northern Ireland) (No.2) Regulations (Northern Ireland) 2016 was made. The purpose of the Regulations is to specify persons employed in the office of the Certification Officer of Northern Ireland as persons to whom the scheme, established under the Public Service (Civil Servants and Others) Pension Regulations (Northern Ireland) 2014, may potentially relate, in accordance with section 25(3) of the Public Service Pensions Act (Northern Ireland) 2014. Regulation 4 revokes the Public Service Pensions (Certification Officer for Northern Ireland) Regulations (Northern Ireland) 2016. The Regulations were made on 18 March 2016 and came into operation on 8 April 2016, with retrospective effect from 1 April 2015.

A Statutory Rule - The Public Service (Civil Servants and Others) Pensions (Consequential Provisions) (Amendment) Regulations (Northern Ireland) 2016 was made. These regulations modify the effect of other statutory provisions in their application to Northern Ireland Civil Service Pension Schemes. This amendment is necessary to ensure the protection of increases in Guaranteed Minimum Pensions for members of the Northern Ireland Civil Service Pension Schemes after the abolition of contracting-out on 6 April 2016. The Regulations were made on 10 February 2016 and came into operation on 1 April 2016, with the exception of Regulation 4 which came into operation on the same day as paragraph 38 of Schedule 13 to the Pensions Act (Northern Ireland) 2014, and on that day regulation 9 of the Public Service (Civil Servants and Others) Pensions (Consequential Provisions) Regulations (Northern Ireland) 2015 ceased to have effect.

### **Changes to Associated Scheme Rules**

#### **Northern Ireland Partnership Pension Account Ill Health Benefits Scheme (Amendment) Scheme 2015**

The amendment scheme amends the rules of the Northern Ireland Partnership Pension Account Ill Health Benefits Scheme made under the Superannuation (Northern Ireland) Order 1972. The amendment scheme came into operation on 29 April 2015 and has the effect of closing the scheme in respect of ill-health benefits after 31 March 2015.

#### **Northern Ireland Partnership Pension Account Death Benefits Scheme (Amendment) Scheme 2015**

The amendment scheme amends the rules of the Northern Ireland Partnership Pension Account Death Benefits Scheme Partnership made under the Superannuation (Northern Ireland) Order 1972. The amendment scheme came into operation on 29 April 2015 and has the effect of closing the scheme in respect of death benefits after 31 March 2015.

#### **Unregistered Death Benefits Scheme (Amendment) Scheme (Northern Ireland) 2015**

The amendment scheme amends the rules of the Unregistered Death Benefits Scheme (Northern Ireland) made under Articles 3 and 4(4) of the Superannuation (Northern Ireland) Order 1972. The amendment scheme came into operation on 29 April 2015 and has the effect of closing the scheme after 31 March 2015.

**Northern Ireland Civil Service Additional Voluntary Contribution Scheme (Amendment) Scheme 2015**

The amendment scheme amends the rules of the Northern Ireland Civil Service Additional Voluntary Contribution scheme, made under the Superannuation (Northern Ireland) Order 1972. The amendment scheme came into operation on 29 April 2015 and enables members of the scheme to remain members of the AVC Scheme and enables members of the AVC Scheme to take advantage of changes in tax legislation.

**Civil Service Compensation Scheme (Amendment) Scheme (Northern Ireland) 2015**

A Scheme Amendment - Civil Service Compensation Scheme (Amendment) Scheme (Northern Ireland) 2015 was made on the coming into force of the scheme established by regulation of the Public Service (Civil Servants and Others) Pension Regulations (Northern Ireland) 2014 and will have retrospective effect from 1 April 2015. The scheme amendment made consequential amendments to the CSCS(NI) scheme rules as a result of the new alpha pension scheme from 1 April 2015.

**Changes to Northern Ireland Civil Service Pension arrangements and relevant scheme**

Title of legislation and change introduced	Northern Ireland Civil Service Pension arrangement and scheme 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
<p><b>Principal Civil Service Pension Scheme (Amendment No. 2) Scheme (Northern Ireland) 2015</b></p> <p>The amendment scheme is consequential on the coming into force of the scheme established by regulation of the Public Service (Civil Servants and Others) Pension Regulations (Northern Ireland) 2014 and had retrospective effect from 1 April 2015. The scheme amendment allows for consequential amendments to the current PCSPS(NI) scheme rules as a result of the new alpha pension scheme from 1 April 2015.</p>	Applies	Applies	Applies	Does not apply	Does not apply
<p><b>Principal Civil Service Pension Scheme (Amendment) Scheme (Northern Ireland) 2016</b></p>	Applies	Applies to Classic Plus rules only	Does not apply	Does not apply	Does not apply

## DFP – Pension Schemes Statement for the year ended 31 March 2016

The amendment scheme makes changes to the 2002 and 1972 Sections of the PCSPS(NI) scheme rules in order that where a widow/er is entitled to a pension and marries or begins to cohabit with another person, the pension will continue to be paid until the date of the widow/er's death. The amendment came into operation on 22 March 2016 and took effect from 1 April 2016.					
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### TRANSFERS

The following represents the position in relation to bulk transfers completed or ongoing throughout the 2015-16 financial year:

<b>Name</b>	<b>Comments</b>
Probation Board	<b>Bulk Transfer In (Ongoing)</b> Bulk transfer of employment of 2 members effective from 6 August 2012. Transfer process is underway with payment expected in 2016/17.
Victims and Survivors Service	<b>Bulk Transfer In (Ongoing)</b> Bulk transfer of employment of 11 members effective from 12 November 2012. Transfer process is underway with payment expected in 2016/17.
Consumer Futures	<b>Bulk Transfer In (Complete)</b> Bulk transfer of employment of 2 members effective from 1 April 2014. Payment was received on 30 October 2015.
Legal Services Commission	<b>Bulk Transfer In (Ongoing)</b> Bulk transfer of employment of 140 members effective from 1 April 2015. Transfer process is underway with payment expected in 2016/17.
Youth Justice Agency	<b>Bulk Transfer In (Ongoing)</b> Bulk transfer of employment of 270 members effective from 1 April 2015. Transfer process is underway with payment expected in 2016/17.
NI Prison Service Healthcare Staff	<b>Bulk Transfer Out (Ongoing)</b> Bulk transfer out of 56 members on 1 April 2012. Transfer process is underway with payment expected in 2016/17.
DHSSPS RPA	<b>Bulk Transfer Out (Ongoing)</b> Bulk transfer of employment of 19 staff with various dates for transfer of liability. Transfer process is underway with payment expected during 2016/17.

In addition, there will be a residual payment in respect of Northern Ireland Water Ltd to be made in 2016/17.

## **OTHER PROVISIONS**

### **FREE-STANDING ADDITIONAL VOLUNTARY CONTRIBUTIONS AND STAKEHOLDER PENSIONS**

Employees of Departments and other organisations which participate in the NICS Pension Schemes may make their own arrangements for making payments to institutions which offer Free-Standing Additional Voluntary Contribution Schemes. The Managers of the NICS Pension Schemes 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.

### **SCHEME VALUATION**

The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The most recent completed actuarial valuation of the PCSPS(NI) was carried out as at 31 March 2012.

The 2012 scheme valuation was completed by GAD in February 2015. The outcome of this valuation was used to set the level of contributions for employers and employees. 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 employer contribution rate is an average of 22.1% pensionable pay from 1 April 2015. Under the DFP Directions for the Proposed Employer Cost Cap, Government Actuary's Department have calculated that as the member contribution yield is estimated to be 5.6% of pensionable pay, the Employer Cost Cap, under direction 53 of the DFP Directions, is set at 18.3% of pensionable pay.

Work has commenced on the 2016 valuation which will be based on the position as at 31 March 2016. This will inform contribution rates from April 2019 for both employees and employers.

### **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 Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations (Northern Ireland) 2008 and covers any disagreement under the provisions of the Northern Ireland Civil Service pension schemes. This complaints procedure has two stages which are time-bounded for application and response.

In 2015/16 CSP dealt with 42 stage 1 cases and 17 stage 2 cases. Each case is reviewed on an individual basis and as appropriate, revised staff instructions and/or management checks are implemented. If the complainant remains dissatisfied with the outcome after the two stages have been exhausted, they still have the right of appeal via The Pensions Advisory Service and The Pensions Ombudsman's Office.

The second type of complaint covers complaints and comments about the standard of service provided. CSP uses this information to continue to improve the standard of service in the future. This is also a two stage process with the first stage being dealt with by the line manager of the person dealing with the case or the Head of Branch and since 12 November 2014, the second stage is dealt with by the Head of Pensions Division. In 2015/16 year, CSP dealt with 17 cases at stage 1 and no

## **DFP – Pension Schemes Statement for the year ended 31 March 2016**

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 Civil Service Pensions website at: [www.finance-ni.gov.uk/civilservicepensions-ni](http://www.finance-ni.gov.uk/civilservicepensions-ni)

### **EVENTS AFTER THE REPORTING PERIOD**

On 23 June 2016 the United Kingdom held a Referendum to determine whether the country would remain in or leave the European Union. The Department is currently considering the impact of the majority leave result on its activities. However, it is likely to be some time before the impact, if any, will be known.

### **DISCLOSURE OF INFORMATION TO AUDITOR**

The Principal Accounting Officer, David Sterling, Permanent Secretary of the Department of Finance 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 Schemes should be addressed to:

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

**DFP – Pension Schemes Statement for the year ended 31 March 2016**

**NICS PENSION SCHEMES MEMBERSHIP STATISTICS 2015-16**

		<b>TOTAL</b>
<b>ACTIVE MEMBERS</b>		
Members at 1 April 2015		<b>33,491</b>
Opening adjustment		<b>286</b>
New entrants in year*		507
Leavers*		(4,143)
Members as at 31 March 2016		<b>30,141</b>
 <b>DEFERRED MEMBERS</b>		
Deferred as at 1 April 2015		<b>8,404</b>
Opening Adjustment		<b>298</b>
New deferred members		1,694
Deferreds cessated		(919)
Deferred as at 31 March 2016		<b>9,477</b>
 <b>PENSIONERS</b>		
Pensioners as at 1 April 2015	Members	<b>22,955</b>
	Dependents	<b>5,234</b>
Opening adjustment	Members	(211)
	Dependents	<b>11</b>
New retirees	Members	2,362
	Dependents	305
Deaths/Cessations/Others	Members	(651)
	Dependents	(331)
Pensioners as at 31 March 2016	Members	<b>24,455</b>
	Dependents	<b>5,219</b>

Notes:

1. The figures in the table in bold are position statements i.e. they represent the status of the membership recorded as at the date in question.
2. The Active Member opening balance as at 1 April 2015 has had to be adjusted due to:
  - Addition of 410 new members from 1 April 2015 as part of bulk transfers.
  - Subtraction of 75 leavers on 31 March 2015.
  - Subtraction of 49 for housekeeping.
3. The Deferred Member opening balance as at 1 April 2015 has had to be adjusted due to:
  - Addition of 298 due to 63 new deferred awards as at 1 April 2015 and housekeeping.
4. The Pensioner Member opening balance as at 1 April 2015 has had to be adjusted due to:
  - Subtraction of 211 for housekeeping.

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5. The Dependants opening balance as at 1 April 2015 has had to be adjusted due to:

- Addition of 11 to the opening balance. Adjustment due to new dependants prior to 1 April 2015 and deaths before 31 March 2015, which were processed after 1 April 2015.

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

**ADDITIONAL EMPLOYMENT OR OFFICES TO WHICH NORTHERN IRELAND CIVIL SERVICE PENSION SCHEMES APPLY**

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. **Employment in the Northern Ireland District Councils**  
  
Derry and Strabane District Council  
Fermanagh and Omagh District Council  
Mid Ulster District Council  
Causeway Coast and Glens District Council  
Mid and East Antrim District Council  
Antrim and Newtownabbey District Council  
Belfast City Council  
North Down and Ards District Council  
Lisburn and Castlereagh District Council  
Armagh, Banbridge and Craigavon District Council  
Newry, Mourne and Down District Council
5. **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

**DFP – Pension Schemes Statement for the year ended 31 March 2016**

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  
Employment in the Office of the Certification Officer for Northern Ireland  
Employment in the Office of the Northern Ireland Public Service Ombudsman

## **REPORT OF THE ACTUARY**

### **Introduction**

1. This report has been prepared by the Government Actuary's Department at the request of the Department of Finance and Personnel (Northern Ireland) (DFP). It summarises the pensions disclosures required for the 2015-16 Accounts of the Civil Service pension schemes (Northern Ireland).
2. The Civil Service Schemes are final salary and/or career average salary defined benefit schemes. The Civil Service Schemes are wholly unfunded. I am not aware of any informal practices operated within the Schemes which lead to a constructive obligation (under IAS 19 constructive obligations should be included in the measurement of the actuarial liability).
3. The report is based on an assessment of the liabilities as at 31 March 2012, with an approximate updating to 31 March 2016 to reflect known changes.

### **Membership data**

4. Tables A to C summarise the principal membership data as at 31 March 2012 and salaries in the year between 1 April 2015 and 31 March 2016 used to prepare this report.

**Table A: Active members**

<b>31 March 2012 membership data</b>			<b>2015-16 accounts</b>
<b>Number</b>	<b>Total salaries* (pa) (£million)</b>	<b>Total accrued pensions (£million)</b>	<b>Total pensionable pay (£million)</b>
<b>34,358</b>	<b>905.27</b>	<b>208.27</b>	<b>854.26</b>

\*Full-time equivalent salary roll as at 31 March 2012

**Table B: Deferred members**

<b>31 March 2012 membership data</b>	
<b>Number</b>	<b>Total deferred pension* (pa) (£million)</b>
<b>8,701</b>	<b>22.02</b>

\*Includes pension increase to 31 March 2012 but not the increase due in April 2012

**Table C: Pensions in payment**

<b>31 March 2012 membership data</b>		<b>2015-16 accounts</b>
<b>Number</b>	<b>Total pension* (pa) (£million)</b>	<b>Total pension (pa) (£million)</b>
<b>26,108</b>	<b>201.59</b>	<b>246.66</b>

\*Includes pension increase to 31 March 2012 but not the increase due in April 2012

### **Methodology**

5. The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members' final

## **DFP – Pension Schemes Statement for the year ended 31 March 2016**

salary benefits, and the principle assumptions applying to the 2015-16 Accounts. The contribution rate for accruing costs in the year ended 31 March 2016 was determined using the PUCM and the principal assumptions applying to the 2014-15 Accounts.

6. This report takes into account the benefits normally provided under the Schemes, including age retirement benefits, ill-health retirement benefits, benefits applicable following the death of the member and pre-1 April 2006 injury benefits. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.

### **Principal financial assumptions**

7. The principal financial assumptions adopted to prepare this statement are shown in Table D.

**Table D1: Principal financial assumptions**

<b>Assumption</b>	<b>31 March 2016</b>	<b>31 March 2015</b>
Rate of return (discount rate)	3.60%	3.55%
Rate of earnings increases*	4.20%	4.20%
Rate of future pension increases	2.20%	2.20%
Rate of return in excess of:		
Pension increases (CPI)	1.37%	1.30%
Earnings increases	(0.60)%	(0.65)%

\*Short term adjustments have been made to this assumption for the period to 2020.

See Table D2.

**Table D2: Rate of salary growth assumed for the period from 1 April 2015 to March 2020**

<b>Year</b>	<b>2015/16 Accounts</b>	<b>2014/15 Accounts</b>
2015/16	0.4% plus promotional scale*	3.7% plus promotional scale
2016/17	1.25% plus promotional scale	3.7% plus promotional scale
2017/18	1.25% plus promotional scale	4.2% plus promotional scale
2018/19	1.25% plus promotional scale	4.2% plus promotional scale
2019/20	1.25% plus promotional scale	4.2% plus promotional scale

\*Based on actual pay growth during the year

8. The pension increase assumption is based on the Consumer Price Index (CPI) expectation of inflation.

### **Demographic assumptions**

9. The demographic assumptions adopted to prepare this report were derived from the specific experience of the scheme membership.
10. The analysis of scheme experience conducted for the latest full valuation of the Scheme for funding purposes has been used to inform the DFP's choice of assumptions for the 2015-16 Accounts. These assumptions are the same as those used for the 2014-15 Accounts and underlying the 2012 funding valuation.
11. The standard mortality tables known as S1NXA (for male and female normal health pensioners and male dependants), S1DXA (for female dependants) and S1IXA (for male and female ill-health pensioners) are used but with mortality rates increased or decreased by a percentage of

## DFP – Pension Schemes Statement for the year ended 31 March 2016

the standard tables to reflect scheme experience. These assumptions are the same as those adopted for the 2014-15 Accounts. Mortality improvements are in accordance with those incorporated in the 2014-based principle population projections for the United Kingdom. This assumption has been updated in line with the latest ONS projections. The 2014-15 Accounts were based on the 2012-based principle population projections.

12. Reforms to the Civil Service Schemes implemented in April 2015, which introduced the alpha scheme, may affect the behaviour of members, ie members subject to a later normal pension age for accrual after 2015 might be expected to retire later. Revised age retirement rates were adopted for the 2012 funding valuation to reflect recent retirement experience in the existing sections of the Scheme and also make allowance for members who were expected to transfer to the alpha scheme on or after 1 April 2015.
13. The contribution rate used to determine the accruing cost in 2015-16 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2014-15 Accounts.

### **Liabilities**

14. Table E summarises the assessed value as at 31 March 2016 of benefits accrued under the Scheme prior to 31 March 2016 based on the data, methodology and assumptions described in paragraphs 4 to 13. The corresponding figures for the previous four year ends are also included in the table.

**Table E – Statement of financial position**

	<b>31 March 2016 £bn</b>	<b>31 March 2015 £bn</b>	<b>31 March 2014 £bn</b>	<b>31 March 2013 £bn</b>	<b>31 March 2012 £bn</b>
<b>Total market value of assets</b>	nil	nil	nil	nil	nil
<b>Value of liabilities</b>	(10.42)	(11.40)	(9.59)	(9.09)	(7.90)
<b>Deficit</b>	(10.42)	(11.40)	(9.59)	(9.09)	(7.90)
<b>Of which recoverable by employers</b>	n/a	n/a	n/a	n/a	n/a

### **Accruing costs**

15. The cost of benefits accrued in the year ended 31 March 2016 (the Current Service Cost) is based on a standard contribution rate of 35.1%. Members contributed between 3.00% and 8.05% of pensionable pay, depending on the level of their pay. Table F shows the employers' share of the contribution rate used to determine the Current Service Cost in 2015-16 taking into account an estimated average rate of contributions paid by members of 6.1% (derived from the financial data for 2015-16 provided by DFP). The corresponding figures for 2014-15 are also included in the table.

**Table F – Contribution rate**

	<b>Percentage of pensionable pay</b>	
	<b>2015-16</b>	<b>2014-15</b>
<b>Standard contribution rate</b>	35.1%	32.6%
<b>Members' estimated average contribution rate</b>	6.1%	5.4%
<b>Employers' estimated share of standard contribution rate</b>	29.0%	27.2%

## **DFP – Pension Schemes Statement for the year ended 31 March 2016**

16. For the avoidance of doubt, the actual average rate of contributions payable by employers, 22.3% of pensionable pay for 2015-16, is not the same as the employers' share of the standard contribution rate as above (29.0% for 2015-16). This is because the actual employer contribution rate was determined as part of a funding valuation using different assumptions. The key difference between the assumptions used for funding valuations and Accounts is the discount rate. The discount rate for Accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS19.
17. The pensionable payroll for the financial year 2015-16 was £0.85 billion. Based on this information, the accruing cost of pensions in 2015-16 (at 35.1% of pay) is assessed to be £0.30 billion.
18. Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. A past service cost of £0.08 billion has been included for 2015-16 in recognition of two changes to benefits which were announced during 2015-16. Firstly, the Government has introduced a policy where public sector pension schemes will provide full indexation on GMPs for members who reach State Pension Age between 6 April 2016 and 5 December 2018. Secondly, the scheme will no longer enforce cessation of pension on remarriage for Classic members with effect from 1 April 2016 and those pensions which were previously stopped due to remarriage have been reinstated.
19. I am not aware of any other material past service costs which have arisen over 2015-16.
20. There were no material settlements or curtailments during 2015-16.
21. The pension cost is the combined cost of the items in paragraphs 17, 18 and 19. Therefore the total pension cost is £0.38 billion.

### **Sensitivity analysis**

22. 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 2016 of changes to the most significant actuarial assumptions.
23. The most significant assumptions are the discount rate, general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.
24. As a result of the scheme reform, there is significant uncertainty associated with how members will retire in future for those members who move across to the alpha scheme. Assumed age retirement rates can have a significant impact on the scheme liabilities and so I have included an indication of the approximate effect (on the total past service liability) of all members retiring one year later than assumed in the main liability calculations.
25. Table G shows the indicative effects on the total liability as at 31 March 2016 of changes to these assumptions (rounded to the nearest ½%).

**Table G: Sensitivity to main assumptions**

<b>Change in assumption</b>	<b>Approximate effect on total liability (rounded to nearest £0.1bn)</b>		
<b>Financial assumptions</b>			
(i) discount rate*:	+ ½% a year	-10.0%	- £1.0 billion
(ii) (long term) earnings increase*:	+ ½% a year	+2.0%	+ £0.2 billion
(iii) pensions increases*:	+ ½% a year	+7.5%	+ £0.8 billion
<b>Demographic assumptions</b>			
(iv) additional 1 year increase in life expectancy at retirement		+2.5%	+£0.3 billion
(v) active members retire from active service (on average) 1 year later		-0.5%	-£0.1 billion

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

**Sandra Bell**  
**Government Actuary's Department**  
**20 May 2016**

## **STATEMENT OF ACCOUNTING OFFICER’S RESPONSIBILITIES**

Under the Government Resources and Accounts Act (NI) 2001, the Department of Finance and Personnel has directed the Northern Ireland Civil Service Pension Schemes to prepare, for each financial year, financial statements 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 Schemes 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 Schemes 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 Northern Ireland Civil Service Pension Schemes. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the 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 was 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 was 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 and indicates how Civil Service Pensions (CSP) fits in to this structure.

This Governance Statement, which has been agreed by CSP Management, sets out how these responsibilities have been discharged during 2015-16.

### **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 2015-16 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.finance-ni.gov.uk](http://www.finance-ni.gov.uk).

Corporate HR has its own business plan, which sits beneath the Departmental business plan and contains relevant strategic objectives for CSP.

The Department of Finance's operational business plan for 2016-17 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 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, including those contained within this set of Accounts, 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 that relate to CSP are reflected in this Governance Statement.

## **Departmental Board**

The Accounting Officer chairs the Board which in 2015-16 met on 10 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 Corporate Human Resources has line management responsibility for Civil Service Pensions (CSP) 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 2015-16 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 2016-17, including the redeployment of staff following the Voluntary Exit Scheme, budget issues and the Department’s contribution to the Programme for Government.

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 2015-16:

	<b>Number of meetings attended</b>
<b>Non-executive members</b>	
Stephen Hodkinson	8 of 10
Dolores O’Reilly	9 of 10
<b>Executive members</b>	
David Sterling	8 of 10
Claire Archbold	1 of 2
Des Armstrong	10 of 10
Colum Boyle	8 of 10
Anne Breen	9 of 10
Michael Brennan	8 of 10
Norman Caven	5 of 6
Colin Lewis	7 of 10
David Marshall	1 of 1
Oswyn Paulin	3 of 4
Tracey Power	1 of 3
Colin Sullivan	8 of 10
Paul Wickens	9 of 10
Hugh Widdis	8 of 10
Brigitte Worth	10 of 10

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.

### **Civil Service Pensions Board**

The Northern Ireland Civil Service Pensions Board (NICSPB), is a new body which was established on 1 April 2015 in accordance with the Public Service Pensions Act (Northern Ireland) 2014. The Board is responsible for assisting the Scheme Manager (the Department of Finance) in the effective administration of the Civil Service (Northern Ireland) pension schemes and assisting the Department in securing compliance with the pension scheme regulations and other legislation relating to the governance and administration of the schemes; and requirements imposed by the Pensions Regulator.

### **Civil Service Scheme Advisory Board**

The Scheme Advisory Board (SAB) role is to advise the responsible authority, the Department of Finance (DoF), on the desirability of changes to the schemes. The responsible authority may commission the SAB to advise on any matter in relation to the schemes the responsible authority considers appropriate, and any commission may be framed as an open request for regular advice on a range of issues, or a narrow requirement for advice on a specific issue. The responsible authority may give responsibility to the SAB to advise on the efficient and effective scheme administration and management.

### **Cost Controls**

Scheme regulations set a rate, expressed as a percentage of pensionable earnings of members of the schemes, to be used for the purpose of measuring changes in the costs of the schemes. The rate is called the “Employer Cost Cap”. The regulations make provision requiring the cost of a scheme to remain within specified margins either side of the employer cost cap and for cases where the cost of the scheme would otherwise go beyond either of those margins, provision specifying a target cost within those margins.

### **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 2015-16, 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 Northern Ireland Civil Service Pension Schemes.

### **Departmental Audit and Risk Committee**

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

## **DFP – Pension Schemes Statement for the year ended 31 March 2016**

The Committee met on 5 occasions during the course of 2015-16. The Corporate Risk Register was provided to all meetings and the Committee reviewed in detail departmental level risks including that in relation to the:

- Reform of Public Service Pension Schemes

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 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.

A review of DARC effectiveness was undertaken in March 2016. 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 the NIAO and Head of Internal Audit to discuss any particular issues of concern.

### **Financial Management**

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

## **DFP – Pension Schemes Statement for the year ended 31 March 2016**

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 process commenced in November 2014 and was amended in November 2015 to extend potential membership of the Casework Committee to all Grade 5s across the Department in order to increase the pool of potential members and thereby enhance the ability to convene a Committee meeting on a timely basis.

### **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 2015-16 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.

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.

Performance against targets in Corporate HR’s business plan, including those relevant to CSP, is monitored quarterly at Senior Management Team meetings and corrective action taken where necessary to ensure that objectives remain on track.

### **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.

## **DFP – Pension Schemes Statement for the year ended 31 March 2016**

The Department's internal audit function has conducted a programme of work during 2015-16 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 last issued an audit report on Civil Services Pensions dated May 2015 which was for work 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 have been implemented by management.

The DARC receives a summary position of the Recommendations Register, which details all agreed Internal Audit Recommendations, 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 2015-16 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 2015-16 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 continuation of the National Fraud Initiative 2014.

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

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

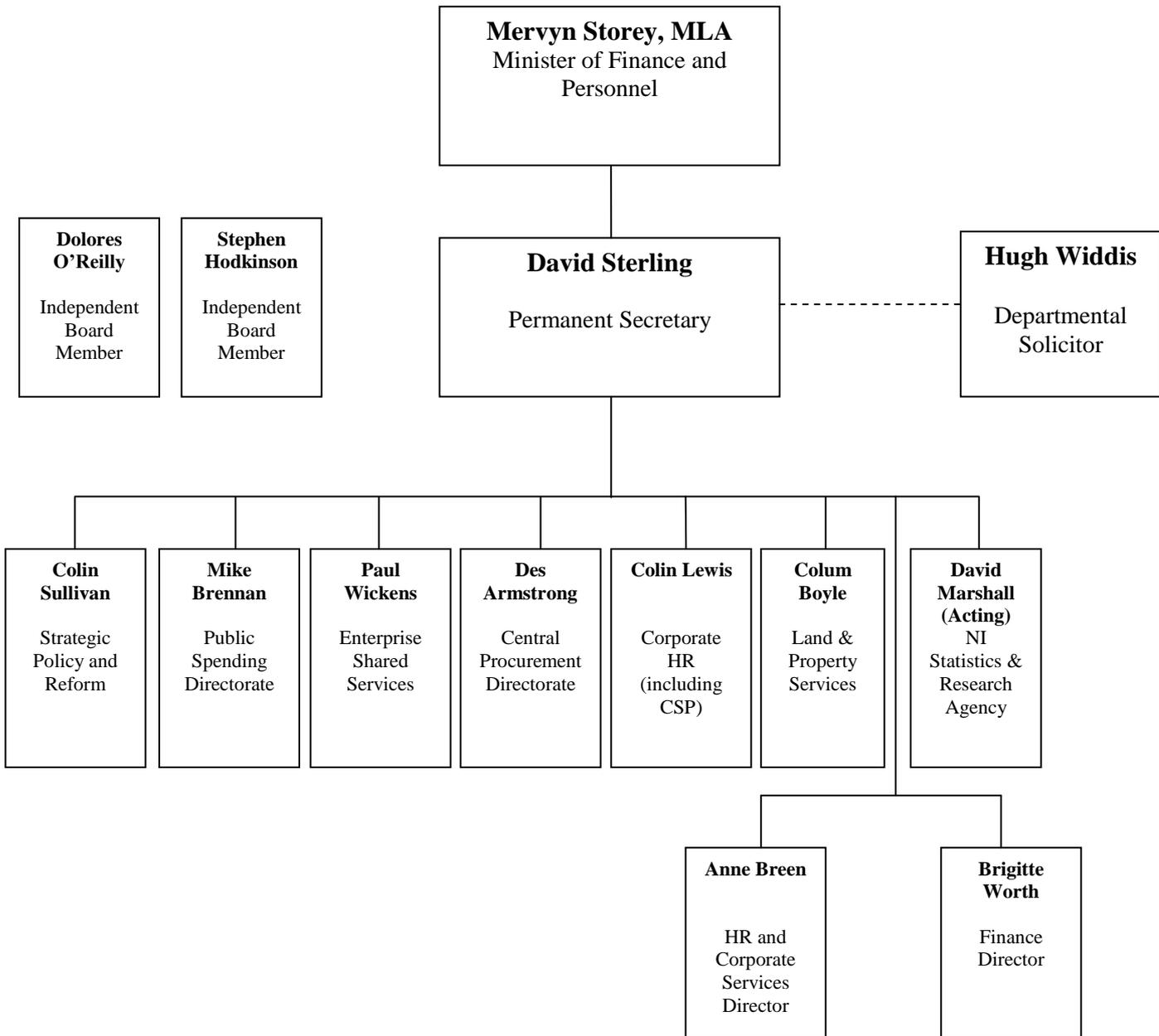
**Conclusion**

Taking into account all of the arrangements set out in this Governance Statement, the Department has effective corporate governance structures in place and has satisfactory systems of internal control which have operated effectively during 2015-16. These governance arrangements and controls apply throughout the whole Department's remit including the Northern Ireland Civil Service Pension Schemes.

A handwritten signature in black ink, appearing to read 'D Sterling', with a large loop at the end.

**DAVID STERLING**  
**Accounting Officer,**  
**Department of Finance and Personnel**  
**Date: 27 June 2016**

**DFP Organisation Chart as at 31 March 2016**



**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 2016 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, Report of the Actuary and Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against 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.

**Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2016 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 2016 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with Department of Finance (formerly Department of Finance and Personnel) directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001.

**Opinion on other matters**

In my opinion:

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

**Matters on which I report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements 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’s guidance.

**Report**

I have no observations to make on these financial statements.



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

30 June 2016



**Notes to the Statement of Assembly Supply**

**SOAS 1. Reconciliation of net resource outturn to net expenditure**

			2015-16 £000	2014-15 £000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate saving/ (excess)
Net Resource Outturn		558,622	572,936	14,314
Non-supply income (CFERs)	SOAS 3	(1,761)	-	1,761
<b>Combined Net Expenditure in Statement of Comprehensive Net Expenditure</b>		<b>556,861</b>	<b>572,936</b>	<b>16,075</b>
				<b>489,577</b>
				<b>489,577</b>

**Explanation of the variation between Estimate and Outturn:**

The variance between the AME outturn and Estimate of £14.3m represents a 2.5% underspend. The main reasoning for the variance is due to the outturn on current and past service costs being lower than forecast. This is due to a few factors including reduced employer contributions received, a change in the up-rating factor and lower than expected costs relating to the change in scheme rules relating to widow/er entitlements.

**SOAS 2. 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 1	572,936	558,622	14,314
Accruals adjustments				
Non-cash items	16.4	(815,654)	(839,679)	24,025
Changes in working capital other than cash		85,618	80,541	5,077
Use of provision:				
Pension	16.5, 16.6	337,100	349,175	(12,075)
<b>Net cash requirement</b>		<b>180,000</b>	<b>148,659</b>	<b>31,341</b>

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

The majority of the variance from Estimate relates to non-cash items, the majority of which relate to transfers in being higher than forecast.

**DFP – Pension Schemes Statement for the year ended 31 March 2016**

**SOAS 3. Analysis of income payable to the Consolidated Fund**

	Note	Forecast 2015-16 £000		Outturn 2015-16 £000	
		Income	Receipts	Income	Receipts
Operating income and receipts – excess Accruing Resources		-	-	1,761	1,761
Total income payable to the Consolidated Fund		-	-	1,761	1,761

A loan of £150 million was requested and granted from the Consolidated Fund during 2015-16. An amount of £44,866k was drawn and repaid before the end of March 2016. This was required due to cash flow timings associated with the Voluntary Exit schemes (2014-15: £nil income or receipts).

**SOAS 4. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund**

	Note	2015-16 £000	2014-15 £000
<b>Northern Ireland Civil Service pension schemes</b>			
Operating income		282,818	225,298
Adjustments for transactions between Requests for Resources		-	-
Gross income		282,818	225,298
Income authorised to be Accruing Resources		281,057	225,298
Operating income payable to the Consolidated Fund		1,761	-
<b>Civil Service Compensation Scheme (NI)</b>			
Operating income		101,660	8,272
Adjustments for transactions between Requests for Resources		-	-
Gross income		101,660	8,272
Income authorised to be Accruing Resources		101,660	8,272
Operating income payable to the Consolidated Fund		-	-
<b>Operating income payable to the Consolidated Fund</b>	SOAS 3	<b>1,761</b>	<b>-</b>

**FINANCIAL STATEMENTS**

**Combined Statement of Comprehensive Net Expenditure  
for the year ended 31 March 2016**

	Note	2015-16 £000	2014-15 £000
<b>Principal Arrangements – Northern Ireland Civil Service pension schemes</b>			
<b>Income</b>			
Contributions receivable	3	236,721	220,895
Transfers in	4	46,097	3,652
Other pension income	5	-	751
		<b>282,818</b>	<b>225,298</b>
<b>Expenditure</b>			
Service cost	6, 16.4	(381,000)	(290,000)
Enhancements	7, 16.4	(2,582)	(1,223)
Transfers in	8, 16.4	(46,097)	(3,652)
Pension financing cost	10, 16.4	(410,000)	(420,000)
		<b>(839,679)</b>	<b>(714,875)</b>
<b>Net expenditure</b>		<b><u>(556,861)</u></b>	<b><u>(489,577)</u></b>
<b>Other Comprehensive Net Expenditure</b>			
Pension re-measurements:			
-Actuarial gain /(loss)	16.7	1,470,504	(1,391,117)
		<b><u>1,470,504</u></b>	<b><u>(1,391,117)</u></b>
<b>Total Comprehensive Net Income/(Expenditure) for the year ended 31 March 2016</b>		<b><u>913,643</u></b>	<b><u>(1,880,694)</u></b>

Notes 1 to 22 form part of these financial statements.

**Combined Statement of Financial Position  
as at 31 March 2016**

	Note	31 March 2016 £000	31 March 2015 £000
<b>Principal arrangements – Northern Ireland Civil Service pension schemes</b>			
<b>Current assets:</b>			
Receivables	13	60,757	16,754
Cash and cash equivalents	14	12,151	2,044
<b>Total current assets</b>		<b>72,908</b>	<b>18,798</b>
<b>Current liabilities:</b>			
Payables (within 12 months)	15	(20,241)	(7,463)
<b>Total current liabilities</b>		<b>(20,241)</b>	<b>(7,463)</b>
<b>Net current assets excluding pension liability</b>		<b>52,667</b>	<b>11,335</b>
Pension liability	16.4	(10,420,000)	(11,400,000)
<b>Net liabilities, including pension liability</b>		<b>(10,367,333)</b>	<b>(11,388,665)</b>
<b>Agency Arrangements – Civil Service Compensation and Injury Benefit Schemes (NI)</b>			
Receivables	17	40,562	1,352
Payables (within 12 months)	18	(58)	(57)
<b>Net current assets</b>		<b>40,504</b>	<b>1,295</b>
Payables (after 12 months)	18	-	-
<b>Net assets</b>		<b>40,504</b>	<b>1,295</b>
<b>Combined schemes – total net liabilities</b>		<b>(10,326,829)</b>	<b>(11,387,370)</b>
<b>Taxpayers' equity:</b>			
General fund		(10,326,829)	(11,387,370)
		<b>(10,326,829)</b>	<b>(11,387,370)</b>

Signed:



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David Sterling  
Accounting Officer

Date: 27 June 2016

**Combined Statement of Changes in Taxpayers' Equity  
for the year ended 31 March 2016**

	Note	General Fund	
		2015-16 £000	2014-15 £000
Balance as at 1 April		11,387,370	9,585,886
Net Assembly Funding - drawn down			
- current year		(158,766)	(61,657)
- 2004-05 excess vote		-	(6,974)
Net Assembly Funding - deemed		(2,044)	(12,623)
Supply payable	15	12,151	2,044
CFERS Payable	15	1,761	-
Combined net expenditure for the year		556,861	489,577
Actuarial (gain) / loss	16.4	(1,470,504)	1,391,117
Net change in Taxpayers' Equity		<u>(1,060,541)</u>	<u>1,801,484</u>
<b>Balance at 31 March</b>		<b><u>10,326,829</u></b>	<b><u>11,387,370</u></b>

Notes 1 to 22 form part of these financial statements.

**Combined Statement of Cash Flows  
for the year ended 31 March 2016**

	Note	2015-16 £000	2014-15 £000
<b>Cash flows from operating activities</b>			
Combined net expenditure for the year		(556,861)	(489,577)
(Increase)/decrease in receivables – principal arrangements	13	(44,003)	(751)
(Increase)/decrease in receivables – agency arrangements	17	(39,210)	(480)
<i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		-	-
(Decrease)/increase in payables: pensions			
Short-term payables	15	12,778	(10,935)
Increase/(decrease) in payables: compensation scheme			
Short-term payables	18	1	45
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		(11,868)	10,579
Increase in pension provision	16.4	791,000	710,000
Increase in pension provision – enhancements and transfers in	16.4	48,679	4,875
Use of provisions – pension liability	16.5	(343,340)	(289,763)
Use of provisions – refunds and transfers	16.6	(4,417)	(5,015)
Use of provisions – death in service	16.5	(1,418)	(1,214)
<b>Net cash outflow from operating activities</b>		<b>(148,659)</b>	<b>(72,236)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		158,766	68,631
From the Consolidated Fund (Supply) – prior year		-	-
<b>Net financing</b>		<b>158,766</b>	<b>68,631</b>
Compensation agency payments made on behalf of employers	11	4,242	4,598
Reimbursement of compensation payments made on behalf of employers	11	(4,242)	(4,598)
Injury benefit payments made on behalf of employers	9	1,356	1,065
Reimbursement of injury benefit payments made on behalf of employers	9	(1,356)	(1,065)
Lump sum payments made on behalf of employers	11	96,063	2,609
Reimbursement of lump sums made on behalf of employers	11	(96,063)	(2,609)
<b>Net financing</b>		<b>158,766</b>	<b>68,631</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund</b>		<b>10,107</b>	<b>(3,605)</b>
Payments of amounts due to the Consolidated Fund		-	-
<b>Net increase/(decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund</b>		<b>10,107</b>	<b>(3,605)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	14	<b>2,044</b>	<b>5,649</b>
<b>Cash and cash equivalents at the end of the year</b>	14	<b>12,151</b>	<b>2,044</b>

Notes 1 to 22 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 Schemes have been prepared in accordance with the relevant provisions of the 2015-16 *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 Schemes 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 Northern Ireland Civil Service Pension Schemes*

The alpha scheme is an unfunded, defined-benefit, career average revalued earnings (CARE) occupational pension scheme. The Principal Civil Service Pension Scheme (NI) is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme. Both schemes are operated by the Department of Finance on behalf of members who satisfy the membership criteria.

Contributions to the Schemes by employers are set at rates determined by the Schemes' 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 Schemes, the balance of funding being provided by the NI Assembly through the annual Supply Estimates process.

The financial statements of the Schemes show the position of the Northern Ireland Civil Service pension schemes 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 Schemes; 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 Schemes is dealt with in the Report of the Actuary, and the Schemes 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 and The Public Service (Civil Servants and Others) Pensions Regulations (Northern Ireland) 2014.

#### *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 Schemes 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 Schemes 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 Schemes have 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 2015, based on the financial and demographic assumptions applying as at 31 March 2015. 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.

## **DFP – Pension Schemes Statement for the year ended 31 March 2016**

### *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 2015, i.e. 3.55% 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 2016, being 1.37% real rate, (i.e. 3.6% per cent including inflation (2014-15: 1.3% per cent real rate (i.e. 3.55% 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 Schemes themselves have 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 Schemes 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.

## **DFP – Pension Schemes Statement for the year ended 31 March 2016**

### *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 the Schemes administrators and the publication of explanatory scheme material. Employers are responsible for the funding of the day to day administration of the NICS Pension Schemes and meet the associated costs from their running cost provision.

In 2015-16 an amount of £1,848k (2014-15 - £2,018k) was collected by NICS Pension Schemes from participating employers and remitted to the Department of Finance and Personnel in respect of NICS Pension Schemes administration expenses all of which are borne by the Department and participating employers of the Schemes.

### *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: Northern Ireland Civil Service pension schemes**

**3. Contributions receivable**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
Employers	187,441	171,970
Employees:		
Normal	46,698	47,702
Purchase of added years/added pension/Expected Pension Age	2,582	1,223
	<hr/> <b>236,721</b>	<hr/> <b>220,895</b>

£218.0 million contributions are expected to be payable to the Schemes in 2016-17. The expected decrease from 2015-16 is as a result of the result of the Voluntary Exit schemes.

**4. Transfers-in (see also Note 8)**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
Group transfers in from other schemes	45,255	1,577
Individual transfers in from other schemes	842	2,075
	<hr/> <b>46,097</b>	<hr/> <b>3,652</b>

**5. Other pension income**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
Amounts receivable in respect of:		
Pension and lump sum premiums recoverable from employers	-	751
	<hr/> <b>-</b>	<hr/> <b>751</b>

**6. Service cost (see also Note 16.4)**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
Current service cost	300,000	290,000
Past service cost (see paragraph 18 of Report of the Actuary)	81,000	-
	<hr/> <b>381,000</b>	<hr/> <b>290,000</b>

**7. Enhancements (see also Note 16.4)**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
Employees:		
Purchase of added years/added pension/Expected Pension Age	2,582	1,223
	<hr/> <b>2,582</b>	<hr/> <b>1,223</b>

## DFP – Pension Schemes Statement for the year ended 31 March 2016

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

	2015-16 £000	2014-15 £000
Group transfers in from other schemes	45,255	1,577
Individual transfers in from other schemes	842	2,075
	<u>46,097</u>	<u>3,652</u>

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

### 9. Injury benefits

	2015-16 £000	2014-15 £000
Injury benefits payable	1,356	1,065
Less: recoverable from employers	(1,356)	(1,065)
	<u>-</u>	<u>-</u>

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

### 10. Pension financing cost (see also Note 16.4)

	2015-16 £000	2014-15 £000
Net interest on defined benefit liability	410,000	420,000
	<u>410,000</u>	<u>420,000</u>

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

### 11. Compensation benefits payable

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

	2015-16 £000	2014-15 £000
Recoverable from employers (cash flow statement)	(4,242)	(4,598)
<b>Total annual compensation payable</b>	<u>4,242</u>	<u>4,598</u>
Lump sums payable recoverable from employers	(96,063)	(2,609)
<b>Total lump sums payable</b>	<u>96,063</u>	<u>2,609</u>

The large increase in the compensation lump sums is due to the numerous Voluntary Exit schemes during 2015-16.

**12. Additional Voluntary Contributions**

**12.1** The Northern Ireland Civil Service pension schemes 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 Northern Ireland Civil Service pension schemes are responsible only for ensuring that members' contributions are paid to the approved providers. These transactions are not recorded in the main Schemes financial statements. Instead, they are recorded by way of a note to the Schemes 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:

	<b>2015-16</b>	<b>2014-15</b>
	<b>£000</b>	<b>£000</b>
<b>Scottish Widows</b>		
Balance as at 6 April	5,226	5,077
Contributions received	147	162
Settlements	(668)	(496)
Changes in market value of investments	(167)	483
	<hr/>	<hr/>
<b>Balance as at 5 April</b>	<b>4,538</b>	<b>5,226</b>

	<b>2015-16</b>	<b>2014-15</b>
	<b>£000</b>	<b>£000</b>
<b>The Equitable Life Assurance Policy</b>		
Balance as at 6 April	801	837
Contributions received	17	24
Life assurance premiums	(12)	(14)
Retirement benefits	(13)	(5)
Leavers (transfers and withdrawals)	(100)	(75)
Contributions received but not yet used to purchase benefit	(1)	-
Changes in market value of investments	9	34
	<hr/>	<hr/>
<b>Balance as at 5 April</b>	<b>701</b>	<b>801</b>

	<b>2015-16</b>	<b>2014-15</b>
	<b>£000</b>	<b>£000</b>
<b>Standard Life</b>		
Balance as at 6 April	2,189	2,101
Contributions received and transfers in	149	97
Expenditure and transfers out	(98)	(212)
Changes in market value of investments	(17)	203
	<hr/>	<hr/>
<b>Balance as at 5 April</b>	<b>2,223</b>	<b>2,189</b>

**Statement of Financial Position: Principal arrangements: Northern Ireland Civil Service pension schemes**

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

Analysis by type	2015-16 £000	2014-15 £000
<b>Amounts falling due within one year:</b>		
Pension contributions due from employers	12,443	12,729
Employees' normal contributions	2,989	3,517
Contributions for employees' added years/added pension	40	69
Group transfers	45,000	-
Overpaid pensions	408	568
Provision for doubtful debts	(123)	(195)
Other receivables	-	66
	<hr/>	<hr/>
<b>Balance at 31 March</b>	<b>60,757</b>	<b>16,754</b>

Included within these figures is £1,761k (2014-15: £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 2016 or 31 March 2015.

**14. Cash and cash equivalents**

	2015-16 £000	2014-15 £000
Balance at 1 April	2,044	5,649
Net change in cash balances	10,107	(3,605)
	<hr/>	<hr/>
<b>Balance at 31 March</b>	<b>12,151</b>	<b>2,044</b>

The following balances at 31 March were held at:

Commercial banks and cash in hand	<hr/>	<hr/>
	12,151	2,044
	<hr/>	<hr/>
<b>Balance at 31 March</b>	<b>12,151</b>	<b>2,044</b>

**15. Payables – in respect of pensions**

Analysis by type	2015-16 £000	2014-15 £000
<b>Amounts falling due within one year</b>		
Pensions	479	1,224
Other payables	5,850	4,195
Amounts issued from the Consolidated Fund for supply but not spent at year end	12,151	2,044
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	1,761	-
	<hr/>	<hr/>
<b>Balance at 31 March</b>	<b>20,241</b>	<b>7,463</b>

There are no amounts payable after more than one year as at 31 March 2016 or 31 March 2015.

**16. Pension liability**

**16.1 Assumptions underpinning the provision for pension liability**

The alpha scheme is an unfunded, defined-benefit, career average revalued earnings (CARE) occupational pension scheme. The Principal Civil Service Pension Scheme (NI) is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme. The Government Actuary’s Department carried out an assessment of the Schemes liabilities as at 31 March 2016. The Report of the Actuary on pages 15 to 19 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 2016 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 Schemes’ 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 Schemes managers should make available to the actuary in order to meet the expected requirements of the Schemes 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 Schemes;
- income and expenditure, including details of expected bulk transfers into and out of the Schemes; and
- following consultation with the actuary, the key assumptions that should be used to value the Schemes 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:

	<b>At 31 March 2016</b>	<b>At 31 March 2015</b>	<b>At 31 March 2014</b>	<b>At 31 March 2013</b>	<b>At 31 March 2012</b>
	%	%	%	%	%
Rate of increase in salaries (long term)	4.20	4.20	4.50	3.95	4.25
Rate of increase in pensions in payment and deferred pensions	2.20	2.20	2.50	1.70	2.00
Rate of return (discount rate)	3.60	3.55	4.35	4.10	4.85

*Inflation assumption*

Rate of return in excess of:					
Pension increases (CPI)	1.37	1.30	1.80	2.35	2.80
Earnings increases	(0.60)	(0.65)	(0.15)	0.15	0.60

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 Schemes’ liabilities. However, the Schemes’ 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.

## **DFP – Pension Schemes Statement for the year ended 31 March 2016**

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 Schemes' 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 Schemes managers, the actuary has used key assumptions that are most appropriate for the Schemes in light of current knowledge.

### **16.2 Analysis of the provision for pension liability**

<b>Categories</b>	<b>At 31 March 2016 £bn</b>	<b>At 31 March 2015 £bn</b>	<b>At 31 March 2014 £bn</b>	<b>At 31 March 2013 £bn</b>	<b>At 31 March 2012 £bn</b>
Pensions in Payment	3.88	4.22	3.74	3.58	3.03
Deferred Pensions	0.54	0.56	0.51	0.41	0.35
Active Members (Past Service)	6.01	6.63	5.34	5.10	4.51
<b>Total *</b>	<b>10.42</b>	<b>11.40</b>	<b>9.59</b>	<b>9.09</b>	<b>7.90</b>

\* The individual category values at March 2016, 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 Schemes 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 Schemes 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 Report of the Actuary on page 19 indicates the order of magnitude of changes to these assumptions on the Schemes' liabilities.

## DFP – Pension Schemes Statement for the year ended 31 March 2016

### 16.4 Analysis of movements in the pension liability

	Note	2015-16 £000	2014-15 £000
Pension liability at 1 April		11,400,000	9,590,000
Current service cost	6	300,000	290,000
Past service cost	6	81,000	-
Pension financing cost	10	410,000	420,000
Enhancements	7	2,582	1,223
Pension transfers in	8	46,097	3,652
Benefits payable	16.5	(344,758)	(290,977)
Pension payments to and on account of leavers	16.6	(4,417)	(5,015)
Actuarial (gain) / loss	16.7	(1,470,504)	1,391,117
<b>Pension liability at 31 March</b>		<b>10,420,000</b>	<b>11,400,000</b>

During the year ended 31 March 2016, employer contributions represented an average of 21.9% (2014-15: 19.5%) of pensionable pay. Revised employer contribution rates have been determined by the scheme actuary and these are payable by employers from April 2016.

### 16.5 Analysis of benefits paid

	2015-16 £000	2014-15 £000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	246,663	235,515
Commutations and lump sum benefits on retirement	98,095	55,462
<b>Total benefits paid</b>	<b>344,758</b>	<b>290,977</b>

The increase in benefits paid during 2015-16 is due to leavers under the Voluntary Exit schemes accessing their pension benefits.

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

	2015-16 £000	2014-15 £000
Refunds to members leaving service	2,767	1,112
Group transfers to other schemes	(70)	165
Individual transfers to other schemes	1,720	3,738
<b>Total payments to and on account of leavers</b>	<b>4,417</b>	<b>5,015</b>

## **DFP – Pension Schemes Statement for the year ended 31 March 2016**

### **16.7 Analysis of actuarial gain/(loss)**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>
Experience gain/(loss) arising on the pension liability	90,000	(100,000)
Changes in financial assumptions underlying the present value of pension liability	1,170,504	(1,111,117)
Changes in demographic assumptions underlying the present value of pension liability	210,000	(180,000)
<b>Total actuarial gain/(loss)</b>	<b>1,470,504</b>	<b>(1,391,117)</b>

### **16.8 History of experience gains/(losses)**

	<b>2015-16 £000</b>	<b>2014-15 £000</b>	<b>2013-14 £000</b>	<b>2012-13 £000</b>	<b>2011-12 £000</b>
Experience gains/(losses) on pension liability:					
Amount (£000)	90,000	(100,000)	140,000	-	(450,000)
Percentage of the present value of the pension liability	0.9%	0.9%	1.5%	-	5.7%
Total amount recognised in Statement of Changes in Taxpayers' Equity:					
Amount (£000)	1,470,504	(1,391,117)	(132,138)	(824,008)	(569,093)
Percentage of the present value of the pension liability	14.1%	12.2%	1.4%	9.1%	7.2%

### **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 2016		As at 31 March 2015	
	Men	Women	Men	Women
Current Pensioners	28.3	30.1	28.5	30.8
Future Pensioners *				
Active and Deferred members	30.0	31.8	30.2	32.5

\* 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 2016		As at 31 March 2015	
	Men	Women	Men	Women
Current Pensioners	23.4	25.2	23.6	25.8
Future Pensioners**				
Active and Deferred members	25.5	27.2	25.8	28.0

\*\* 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 2015-16 accounts show a slight decrease in life expectancy for both men and women.

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

**17. Receivables – Non-supply**

	2015-16 £000	2014-15 £000
Recoverable annual compensation payments	9,140	1,041
Recoverable lump sums	31,422	311
	<b>40,562</b>	<b>1,352</b>

The increase in 2015-16 of recoverable lump sums is due to leavers close to the year end under the Voluntary Exit schemes. Included with these figures is £nil (2014-15: £nil) that will be due to the Consolidated Fund once the debts are collected.

**18. Payables – Non-supply**

	2015-16 £000	2014-15 £000
<b>Other payables (amounts falling due within one year)</b>		
Compensation payments	58	57
	<b>58</b>	<b>57</b>

**19. Financial instruments**

As the cash requirements of the Northern Ireland Civil Service pensions schemes 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 Schemes' expected purchase and usage requirements and the Schemes are 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. Related-party transactions**

The Pension Schemes 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.

**22. Events after the reporting period**

On 23 June 2016 the United Kingdom held a Referendum to determine whether the country would remain in or leave the European Union. The Department is currently considering the impact of the majority leave result on its activities. However, it is likely to be some time before the impact, if any, will be known.

*Date of authorisation for issue*

The Accounting Officer authorised these financial statements for issue on 30 June 2016.