

Department of Finance

Superannuation and Other Allowances

Pension Schemes Statement

For the year ended 31 March 2022

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

06 July 2022



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ACCOUNTABILITY REPORT

REPORT OF THE MANAGERS

Background to the Scheme

Statutory basis for the Scheme

The alpha pension scheme was introduced with effect from 1 April 2015 as the main pension scheme for the Northern Ireland Civil Service. The legislation made to introduce the alpha scheme was titled 'The Public Service (Civil Servants and Others) Pensions Regulations (Northern Ireland) 2014'.

Eligibility to join the Scheme

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 pre 2015 members moved to the alpha scheme from that date. Members are eligible to join the Scheme if they are in a permanent or fixed term employment as a civil servant, permanent or fixed term employment in any of the employments or bodies listed at Annex A or permanent or fixed term employment under the terms of Fair Deal or New Fair Deal.

Main features of the Scheme, including benefits and how they are funded

The alpha scheme is an unfunded, defined-benefit, career average revalued earnings (CARE) occupational pension scheme. An alpha member can build up an annual pension based on a percentage of earnings each scheme year, and tax relief is given on the pension contributions made. A scheme year runs from 1 April to 31 March. Alpha pension is built up by adding 2.32% of pensionable earnings from each scheme year to an alpha pension. The alpha pension built up is adjusted each year in line with prices. The pension age for the alpha scheme will be equal to, and will keep in step with, changes to State Pension Age. When a member starts taking their benefits they will get an option to exchange some of their annual pension for a one-off, tax-free, lump sum. The alpha scheme also provides ill-health, death and dependants benefits.

Benefits drawn before pension age are subject to actuarial reduction for early payment, with the exception of ill-health retirement benefits. 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.

CPI under the Public Service Pensions Revaluation (Prices) Order (Northern Ireland) 2021 was 0.5% therefore alpha pension entitlements of active members were revaluated by this percentage from 1 April 2021.

- Information on PCSPS(NI) – Closed Scheme

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 with full or tapered transitional protection. Civil Service Pensions Branch continues to administer the PCSPS(NI). The Scheme draws its statutory authority from the Superannuation (Northern Ireland) Order 1972.

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 revalued earnings’ arrangement (Nuvos). Section 4 of the rules, contains 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 for each year of reckonable service.

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 for each year of reckonable service 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 unfunded, defined-benefit, career average revalued earnings (CARE) occupational pension arrangement. Members can build up an annual pension based on a percentage of earnings each scheme year, and tax relief is given on the pension contributions made. A scheme year runs from 1 April to 31 March. Nuvos pension is built up by adding 2.3% of pensionable earnings from each scheme year to a Nuvos pension. The Nuvos pension built up is adjusted each year in line with prices. The pension age for Nuvos is 65. When a member starts taking their benefits they will get an option to exchange some of their annual pension for a one-off, tax-free, lump sum.

The PCSPS(NI) provides ill-health, death and dependants benefits. Benefits drawn before pension age are subject to actuarial reduction for early payment, with the exception of ill-health retirement benefits. 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.

- Protected Members – Closed Scheme

Current members who were at least 50 or over before 1 April 2012 and were active members of the scheme on that date remain in the PCSPS(NI) arrangement to which they were already a member on 31 March 2015 – these are the members in the protected group. Those in the tapered 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.

Following a Court of Appeal ruling in 2018 which held that the transitional protection offered to members who were closer to retirement age gave rise to unlawful discrimination, the Government confirmed its intention to remedy the difference in treatment across all those schemes including the Civil Service. With that in mind, the Department of Finance (DoF) consulted during 2020 on proposals to remove the discrimination identified by the courts in the 2015 pension reforms and published its response on 25 February 2021. A further consultation ran from 20 December 2021 to 25 February 2022

around the planned closure of the PCSPS(NI) ('the legacy scheme') on 31 March 2022 to future service accrual and moving of all remaining members to the alpha pension scheme from 1 April 2022. This is part of the Remedy work needed to end the discrimination. See McCloud update on page 10.

CPI under the Pensions Increase (Review) Order (Northern Ireland) 2021 was 0.5% therefore all pensions in payment prior to 6 April 2020 received an increase by 0.5% from 12 April 2021.

- Automatic enrolment

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.

- Partnership Pension Account

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. The employer makes an age-related contribution 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%. From 1 February 2019 eligibility for the Partnership Pension Account was expanded to all active members of the NICS pension schemes, including members of Classic and Classic Plus. Additionally, the number of switching dates has increased and the time limits for switching have been changed to increase flexibility for members.

- Civil Service Compensation Scheme (NI)

The Civil Service Compensation Scheme (Northern Ireland) [CSCS(NI)], effective from 1 April 2014, sets out the level of compensation that can be paid on leaving under voluntary exit, voluntary or compulsory redundancy and inefficiency terms. The scheme applies to staff in an employment covered by the Northern Ireland Civil Service (NICS) pension and compensation arrangements.

- New Fair Deal

The New Fair Deal Policy is a non-statutory policy that deals with staff who are compulsorily transferred from the public sector to independent providers delivering public services. From October 2013, these independent providers can apply to join the Scheme under the New Fair Deal. The resulting employee members can remain in the Scheme while they continue to be principally employed on the work they carried out while in the public sector.

The New Fair Deal policy requires Civil Service Pensions to recognise “qualifying service” in a contractor’s pension scheme for all staff who transfer employment, irrespective of whether or not they transfer their accrued pension benefits. If this is not done, then in certain circumstances, e.g. ill-health retirement and death in service within the first 2 years of re-joining, members’ benefits accrued in the Civil Service Pensions from re-joining may be significantly reduced. This has always been the policy, however a retrospective amendment to the rules and regulations of the NICS pension schemes is required in order for the policy to continue to be applied.

Scheme Summary:

Element of the Civil Service Compensation Scheme (Northern Ireland)	Voluntary Redundancy	Compulsory Redundancy	Voluntary Exit
Tariff	1 month’s pay per year of service	1 month’s pay per year of service	1 month’s pay per year of service
Cap for those below pension age	21 months’ pay	12 months’ pay	21 month’s pay
Cap for those above pension age	6 months’ pay	6 months’ pay	6 month’s pay
Lower paid protection (£26,051 deemed minimum – reviewed annually)	Must be applied	Must be applied	Does not have to be applied
Higher paid cap (£105,447 deemed maximum – reviewed annually)	Must be applied	Must be applied	Must be applied
Early access to pension benefits where member has reached minimum scheme pension age	Must be permitted	Must be permitted	Must be permitted
Use compensation payment to buy out reduction for taking pension early	Must be permitted	Must be permitted	Must be permitted
Employer top up payment to buy out any remaining pension reduction	Must be permitted	Not permitted	May be permitted at the employer’s discretion
Notice Period	3 months	6 months	3 months

- Dismissals under the Sickness Absence Management Policy

The Northern Ireland Civil Service retains an ability to compensate staff who are dismissed where this is in the mutual interest of both the employer and the employee. This type of dismissal is referred to being on the grounds of “inefficiency”. “Inefficiency” is the legal reason for dismissing a member of staff as a result of an unacceptable level of attendance. It does not refer to a member of staff’s performance or their ability to satisfactorily carry out their role. Such staff currently have a contractual right to be considered for compensation following dismissal, but do not have a contractual right to receive a payment. Such payments are made at the employing Department’s discretion. Inefficiency terms were not reformed in 2014 and the current wording in the CSCS(NI) only relates to members of Sections I and II of the PCSPS (NI) (members of Classic and Premium). Others are calculated on the same basis but are paid ex-gratia. Compensation is not payable if the member is over their scheme pension age.

Management of the Scheme

The Scheme is administered by the Department of Finance’s Civil Service Pensions Branch which is based in Waterside House, Londonderry.

Organisations responsible for managing the Scheme

The Department of Finance is the Scheme Manager for the PCSPS(NI) and alpha pension scheme and any statutory pension scheme connected with them, including the CSCS(NI). The Scheme Manager is responsible for managing and administering the Scheme and any statutory pension scheme that is connected with it. The Department and Scheme Manager may delegate any functions under the Scheme Rules or Regulations, including the powers to delegate.

Civil Service Pensions Policy Legislation & Communications Branch is responsible for the implementation of pension reform and legislation including the required governance arrangements under the 2015 regulations. The branch provides policy and guidance on pension legislation and procedural matters to meet the needs of employers and Civil Service Pensions (CSP) staff and supports the Departments in maintaining compliance with Civil Service Pensions policy. The branch is also responsible for all communications including the maintenance and development of the CSP website. It is also responsible for the management of Internal Dispute Resolution (IDR) Stage 2 and Pension Ombudsman cases.

Corporate governance of the Scheme, including management team

The Northern Ireland Civil Service Pension Board (NICSPB) was established on 1 April 2015 in accordance with the Public Service Pensions Act (Northern Ireland) 2014. The NICSPB 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 pension scheme regulations and other legislation relating to the governance and administration of the schemes and requirements imposed by the Pensions Regulator.

The Northern Ireland Scheme Advisory Board (SAB) role is to advise the responsible authority, the Department of Finance, on the desirability of changes to the scheme. The responsible authority may commission the SAB to advise on any matter in relation to the scheme 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.

Managers:

Accounting Officer**Mr Neil Gibson**

DoF

Clare House

303 Airport Road West

BELFAST,

BT3 9ED

Scheme Administrator**Compensation Scheme Administrator****Ms Anne Stewart**

DoF, Civil Service Pensions

Waterside House

75 Duke Street

LONDONDERRY, BT47 6FP

Arrangements governing determination of contribution rates and benefits

The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The 2016 scheme valuation was completed by GAD in March 2019. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2019 to 31 March 2023. The rates payable are a percentage rate of the member's pensionable earnings and are reviewed as part of the periodical funding valuation of the Scheme, which takes place every four years.

From 1 April 2021 to 31 March 2022 the employer contribution rate was an average of 29.8% pensionable pay (excluding charges for administration). Under previous DoF Directions governing pension scheme valuations and cost control the Government Actuary's Department calculated the Employer Cost Cap as part of the 2012 valuation of the scheme to be 18.3% of pensionable pay.

The 2016 Scheme Valuation was initially paused as a consequence of the McCloud ruling. Following consultation with Trade Union Side the Department of Finance published revised Valuation directions in November 2021 which enabled the 2016 Valuation to be completed and the final cost cap results to be determined. The final NICS Pension Scheme results were published in March 2022 and take into account the increased value of public service pensions, attributable to the 'McCloud remedy'. The cost cap cost of the scheme is 0.5% above the employer cost cap. The result lies within the $\pm 2\%$ corridor specified in the Department of Finance Regulations and means that no changes to benefits or member contributions are required. A copy of the Unpause Cost Cap Valuation Report is available on the Civil Service Pensions (NI) website at: www.finance-ni.gov.uk/articles/northern-ireland-civil-service-pension-scheme-valuations.

Key developments in yearChanges in contributions

From April 2021 the average rate of employee contributions was 5.4% based on actual earnings, rather than the full time equivalent - tiered to protect those with lower earnings. Employee contributions range from 4.60% to 8.05% depending on salary band from 1 April 2021 and applies to both members of the PCSPS(NI) and alpha.

Employee contribution rates from 1 April 2021 to 31 March 2022 and applicable salary bands are set out in the following table.

Annualised Rate of Pensionable Earnings (Salary Bands)		% Contribution Rate for All Members
From	To	From 1 April 2021 to 31 March 2022
£0	£24,199.99	4.60%
£24,200.00	£55,799.99	5.45%
£55,800.00	£153,299.99	7.35%
£153,300.00 and above		8.05%

The valuation of the scheme as at 31 March 2016 resulted in an increase in the average employer contribution rate from 22.1% to 29.8% (excluding charges for administration) with effect from 1 April 2019.

Changes in benefits

Civil Service Pensions applied CPI of 0.5% to 2021-22 alpha scheme opening balances, as the policy is intended, and in accordance with the requirements of The Public Service Pensions Revaluation Order (Northern Ireland) 2021. This enabled Civil Service Pensions to commence the end of year processes for 2020-21 alpha scheme accounts and continue preparatory work towards issuing of Annual Benefit Statements to alpha members. An Amendment Regulation, ensuring that the alpha scheme regulations operate as the policy had always intended was made on 25 February 2022.

Membership statistics (movement in year)

The NI Civil Service Pension Schemes have approximately 29,919 active members, 8,690 deferred members and 32,944 pensioner members and dependents receiving benefits. The details of movements in membership during the year are shown at Annex B.

Transfers

The following represents the position in relation to bulk transfers completed or ongoing throughout the 2021-22 financial year:

Name	Comments
DHSSPS RPA	Bulk Transfer Out (Ongoing) Bulk transfer of employment of 19 staff with various dates for transfer of liability. Transfer process underway. Payment expected to be made in 2022-23.

NIPS Teachers	Bulk Transfer Out (Ongoing) Bulk transfer out of 13 members on 8 May 2017. Payment expected to be made during 2022-23.
Probation Board NI	Bulk Transfer In (Ongoing) Bulk transfer in of 2 members on 1 October 2019 from NILGOSC. GAD commissioned by employer. Transfer is in early stages.

Financial Position at 31 March 2022

The Scheme liability at 31 March 2022 was £19.39 billion compared with £17.65 billion at 31 March 21. The change of £1.74 billion is primarily due to increases in the expectations for future pension increases (CPI inflation) and long-term pay increases, albeit these have been offset to an extent by an increase in the discount rate used.

The current service cost (£0.62 billion) is greater than that in 2020-21 (£0.52 billion) due to the decrease in discount rate net of CPI inflation between 31 March 2020 and 31 March 2021.

The financial assumptions include an actuarial loss of £1.27 billion driven by the increase in the assumed rate of pension increases from 2.22% p.a. to 2.90% p.a. and the increase in the assumed rate general pay increases from 3.72% p.a. to 4.15% p.a., both of which increase the value of the liabilities. These are partially offset by the increase in the nominal discount rate from 1.25% p.a. to 1.55% p.a., which decreases the liabilities.

Further details are given in the Report of the Actuary on page 20 and in Note 15.7 of the financial statements.

No adjustments have been applied to the Financial Statements in respect of the COVID-19 pandemic (Report of the Actuary, page 24).

Events after the reporting period

There were no events that require amendment to this statement after the reporting period.

Legislative Changes 2021-22

During 2021-22 The Department of Justice applied to add the post of Victims of Crime Commissioner Designate to the list of Schedule 1 bodies in the Superannuation (Northern Ireland) Order 1972 and admit it to the Civil Service Pension Scheme. Subsequently, The Superannuation (Victims of Crime Commissioner Designate) Order (Northern Ireland) 2022 was made on 11 March 2022 and comes into operation on 1 April 2022.

The Public Service (Civil Servants and Others) Pensions (Amendment) Regulations (Northern Ireland) 2022 were made on 25 February 2022 in relation to the alpha pension scheme. The amendments correct typographical and grammatical errors and resolve anomalies that were identified in the original Regulations. In addition, they bring the Regulations in line with the latest legislation relating to certain types of statutory leave associated with the birth/adoption of a child. A retrospective amendment to the alpha scheme regulations was included to correct an anomaly in the regulations concerning in-service revaluation to alpha pension accounts; and ensures that scheme regulations operate as the policy

intended. The policy intent is that the revaluation of the active member's pension account opening balances should be by reference to the change in prices or earnings announced in the previous scheme year. These Amendment Regulations came into operation on 18th March 2022 with some provisions having retrospective effect.

The Public Service (Civil Servants and Others) Pensions (Amendment) (No. 2) Regulations (Northern Ireland) 2022 were made on 18 March 2022 and will come into operation on 1 April 2022. These Regulations make the amendments required to move all active members to the reformed scheme (alpha) from 1 April 2022, and closes the PCSPS(NI) to future accrual from 31 March 2022. They also make some corrections and clarifications to the current Public Service (Civil Servants and Others) Pensions Regulations (Northern Ireland) 2014, remove the initial 12-month bar on making lump sum payments towards added pension for members transferring into alpha from the PCSPS(NI). They also introduce an Ill-Health Retirement Underpin which ensures that members of the PCSPS(NI) who make an application for ill-health pension on or before 31st March 2022 which is not determined on or before that date receive no less generous ill-health benefits than they would have received had the application been determined on that date. These Amendment Regulations will come into operation on 1st April 2022 but the regulations that bring certain Fair Deal members within the scope of transitional protection have retrospective effect from 18 December 2014, the date Schedule 2 (transitional provisions) came into operation.

Where statutory requirements dictate, Civil Service Pensions continued to implement the policy intent with the agreement of employee representatives. The required legislative amendments are currently being progressed.

Issues arising in 2021-22

- COVID-19 Pandemic

The financial statements are being prepared at a time when the UK continues to deal with the COVID-19 pandemic. As outlined in the Report of the Actuary, it is too early to speculate on the full impact of the pandemic and any potential long-term effects of the pandemic on future economic/salary growth, mortality rates or financial assumptions underpinning the pension liability as at 31 March 2022. Details of significant actuarial assumptions adopted in calculating the pension liability for inclusion in the financial statements as at 31 March 2022 are included in note 15.1, together with sensitivity of the pension liability to changes in the significant actuarial assumptions in note 15.3.

- Exiting the European Union (EU)

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. The future relationship between the EU and the UK has been determined by negotiations taking place during a transition period ending 31 December 2020 and ongoing. This is expected to have little direct effect on the Scheme, which is not exposed to market volatility.

- McCloud/Sargeant

In December 2018, the Court of Appeal in England and Wales ruled that transitional protection provisions contained in reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, amounted to direct age discrimination and were therefore unlawful. In June 2019, the Supreme Court refused permission for any further appeal of that ruling and the judicial and firefighter cases in question were remitted to the Employment Tribunal to determine a remedy to members who suffered discrimination. In July 2019, the Westminster Government confirmed that, as transitional protection was offered to members of all the main public service pension schemes, the government intends to address the difference in treatment across all schemes. The reformed public

service schemes in Northern Ireland, including the Civil Service Scheme, incorporate similar age-based transitional protections and are similarly affected. The Department of Finance consulted from 19 August 2020 to 18 November 2020 on proposals to I) remove discrimination in unfunded public service schemes made under the Public Service Pensions Act (Northern Ireland) 2014 for the future; and, II) remedy the effect of any discrimination scheme members may have incurred since April 2015. The Department of Finance issued its consultation response on 25 February 2021. It proposed to proceed with the deferred choice underpin. This approach means all eligible members will receive a choice at the point of retirement whether to take legacy or reformed scheme benefits for the period between 1 April 2015 and 31 March 2022, known as the remedy period. In July 2021 the Westminster Government introduced a Bill to legislate for this remedy. Legislative consent motions were subsequently proposed and agreed by the NI Assembly in November 2021 and January 2022 so that this overarching legislation ('the Public Service Pensions and Judicial Offices Act 2022') extends for the devolved schemes in Northern Ireland. All public servants, including members of the Civil Service Pension Scheme, who continue in service from 1 April 2022 onwards now do so as members of their respective reformed scheme (alpha pension scheme).

The Department of Finance plans to implement the 2015 Remedy Programme (McCloud Judgment) in two phases, namely the "Prospective Remedy" and the "Retrospective Remedy".

The Prospective Remedy phase of the removal of the discrimination identified by the Court of Appeal involves moving all active members of the PCSPS(NI) (including partial retirees in active service) to alpha on 1 April 2022 and making consequential changes to the regulations, pursuant to the requirements of the Public Service Pensions and Judicial Offices Act 2022. This ensures that from 1 April 2022 onwards, all active NICS pension scheme members will be members of the alpha pension scheme and will be accruing benefits in the same scheme, thus ending the discrimination from 1 April 2022 onwards. The Department consultation around the planned closure of the PCSPS(NI) ('the legacy scheme') on 31 March 2022 to future service accrual and moving of all remaining members to the alpha pension scheme from 1 April 2022 ran from 20 December 2021 to 25 February 2022. The necessary legislative changes to give effect to the Prospective Remedy (The Public Service (Civil Servants and Others) Pensions (Amendment) (No. 2) Regulations (Northern Ireland) 2022) were made on 18 March 2022 and will come into operation on 1 April 2022.

The Retrospective Remedy involves giving all eligible members the deferred choice underpin (DCU) which will be a choice at the point of retirement whether to take legacy or reformed scheme benefits for the period between 1 April 2015 and 31 March 2022. Provisions for the deferred choice underpin will be implemented by 1 October 2023 at the latest for all eligible members. Members who have retired before the DCU is implemented and have a period of relevant service between 1 April 2015 and 31 March 2022, will be offered a choice once the legislative changes have been made to implement the DCU. The choice will be retrospective and backdated to the point that payment of pension benefits began.

Any subsequent changes to the Civil Service Scheme will be subject to further scheme level consultation.

- Amendments to Alpha Regulations

There will be a requirement for Civil Service Pensions to introduce several other minor amendment regulations to the alpha regulations, in particular around Parental Bereavement Leave.

- Scheme Amendments to the rules of the PCSPS(NI)

In addition to the amendments to the alpha scheme regulations, there will be a requirement for Civil Service Pensions to introduce minor scheme amendments to the rules of the PCSPS(NI). Civil Service Pensions await sight of said amendments from our counterparts in GB.

Information for Members

Supplementary information available to members

Supplementary information is available to scheme members on the Civil Service Pensions (NI) website at: www.finance-ni.gov.uk/civil-service-pensions-ni.

- **Complaints Handling**

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

In 2021-22 Civil Service Pensions dealt with 38 stage 1 cases and 17 stage 2 cases. The first stage is dealt with by the Line Manager of the person dealing with the case. The second stage is dealt with by the Head of Civil Service Pensions Policy, Legislation and Communications Branch. 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 to The Pensions Ombudsman. In 2021-22 Civil Service Pensions dealt with 1 Pension Ombudsman case.

The second type of complaint covers complaints and comments about the standard of service provided. Civil Service Pensions uses this information to continue to improve the standard of service in the future. This is also a two stage process with the first stage being dealt with by the line manager of the person dealing with the case or the Head of Branch and the second stage is dealt with by the Director of Pensions Division. In 2021-22 year, Civil Service Pensions dealt with 10 cases at stage 1, nil 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/civil-service-pensions-ni .

- **Personal Data**

Civil Service Pensions are fully committed to complying with the General Data Protection Regulation (GDPR) and Data Protection Act 2018, and have documentation and processes in place to ensure that all staff, contractors and other parties who have access to personal information held by or on behalf of us are fully aware of and abide by their responsibilities under data protection legislation.

Civil Service Pensions have ensured:

- adherence to the Department's robust policies and guidance which support data protection requirements are in place;
- communication and awareness of data protection delivered to all staff;
- adequate training in GDPR and data protection for all staff;

-
- holdings of personal data have been documented and are compliant with the GDPR principles;
 - correct procedures are in place to detect, report and investigate data breaches and any breaches have been taken forward in line with the Departmental policies; and
 - correct safeguards are in place to protect personal data held on Departmental IT systems.
- Annual Benefit Statements

Annual benefits statements are a requirement of section 14 of the Public Service Pensions Act (Northern Ireland) 2014. For the current year by 31 August 2021 Civil Service Pensions had issued 97.33% of alpha statements. To date all of alpha statements have been issued where Civil Service Pensions holds the relevant information from employers to do so. No breach of law was reported to the Pensions Regulator. All non-alpha statements have also issued.

Information about Freestanding 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 two Additional Voluntary Contribution providers – Scottish Widows’ Fund and Life Assurance Society and Standard Life Assurance Ltd.

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 NICSPS or by employers.

Scheme Managers, Advisers and Employers

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Legal advisers:	Departmental Solicitor's Office Victoria Hall 12 May Street BELFAST, BT1 4NL
Auditors:	Northern Ireland Audit Office 1 Bradford Court Galwally BELFAST, BT8 6RB
Employers:	Principal Employers - All NICS Departments and Agencies Additional Bodies - See Annex A
<u>Contact for enquiries:</u>	Ms Anne Stewart DoF Civil Service Pensions Waterside House 75 Duke Street LONDONDERRY, BT47 6FP

Annex A

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
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
Commissioner for Survivors of Institutional Childhood Abuse
Victims of Crime Commissioner Designate

NICS PENSION SCHEMES MEMBERSHIP STATISTICS 2021-2022**TOTAL****ACTIVE MEMBERS**

Members at 1 April 2021*	29,209
Membership adjustment	(260)
New entrants in year**	2,422
Leavers**	(1,452)
Members as at 31 March 2022*	29,919

DEFERRED MEMBERS

Deferred as at 1 April 2021	8,524
Membership Adjustment	195
New deferred members	303
Deferreds ceased	(332)
Deferred as at 31 March 2022	8,690

PENSIONERS

Pensioners as at 1 April 2021	Members*	27,260
	Dependents	5,317
Opening adjustment	Members*	39
	Dependents	36
New retirees	Members	1,350
	Dependents	317
Deaths/Cessations/Others	Members	(1,056)
	Dependents	(319)
Pensioners as at 31 March 2022	Members*	27,593
	Dependents	5,351

Notes:

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

2. The Active Member adjustment comprises of:

- a reduction of 329 on the opening balance as at 1 April 2021 due to revised opening balances provided by Employers,

- an increase of 69 based on member movement through the year.
3. The Deferred Member adjustment represents an increase of 195 on the opening balance as at 1 April 2021 due to housekeeping and retrospective action.
4. The Pensioner Member opening balance as at 1 April 2021 has had to be adjusted due to:
- Addition of 39 members due to housekeeping and retrospective action
5. The Dependants opening balance as at 1 April 2021 has had to be adjusted due to:
- Adjustment of 36 members due to housekeeping.
- * Partial Retirees included in both active and pensioner member figures.
**Opt – in and Opt out figures included in new entrants and leavers.

REPORT OF THE ACTUARY

1. This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Department of Finance (Northern Ireland) (DoF). It provides a summary of GAD's assessment of the scheme liability in respect of the Northern Ireland Civil Service Pension Scheme (NICSPS) as at 31 March 2022, and the movement in the scheme liability over the year 2021-22, prepared in accordance with the requirements of Chapter 12 of the 2021-22 version of the Financial Reporting Manual.

2. The NICSPS is a defined benefit scheme providing pension and lump sum benefits on retirement, death and resignation. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation.

3. The assessment has been carried out by calculating the liability as at 31 March 2020 based on the data provided as at 31 March 2020 and rolling forward that liability to 31 March 2022.

Membership data

4. Tables A to C summarise the principal membership data as at 31 March 2020 used to prepare this statement.

Table A - Active members

	Number	Total pensionable pay* (p.a.) £ million
Males	14,196	439.8
Females	15,096	412.7
Total	29,292	852.5

* Pensionable pay is the Actual figure

Table B - Deferred members

	Number	Total deferred pension* (p.a.) £ million
Males	3,949	12.9
Females	4,618	13.7
Total	8,567	26.7**

* Pension amounts include the pension increase granted in April 2020

**Rounding difference in total

Table C - Pensions in payment

	Number	Annual pension* (p.a.) £ million
Males	15,226	196.2
Females	10,555	85.1
Spouses & dependants	5,363	26.2
Total	31,144	307.5

* Pension amounts include the pension increase granted in April 2020.

Methodology

5. The present value of the liabilities as at 31 March 2022 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2022. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2022 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2021 in the 2020-21 accounts.

6. This statement takes into account the benefits normally provided under the scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It 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.

Financial assumptions

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

Table D: Principal financial assumptions

Assumption	31 March 2022 p.a.	31 March 2021 p.a.
Nominal discount rate	1.55%	1.25%
Rate of pension increases	2.90%	2.22%
Rate of general pay increases	4.15%	3.72%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• CPI inflation	(1.30%)	(0.95%)
• Long-term pay increases	(2.50%)	(2.38%)
Expected return on assets	n/a	n/a

8. The assessment of the liabilities allows for the known pension increases up to and including April 2022.

Demographic assumptions

9. Table E summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the scheme membership, and other relevant sources including the experience of the CSPA GB scheme. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the 'S2 tables' with the percentage adjustments to those tables derived from scheme experience.

Table E – Post-retirement mortality assumptions

Baseline mortality	Standard table	Adjustment
Males		
Retirements in normal and ill-health	S2NMA	110%
Dependants	S2NMA	124%
Females		
Retirements in normal and ill-health	S2NFA	110%
Dependants	S2DFA	106%

10. These assumptions are the same as those adopted for the 31 March 2016 funding valuation of the scheme and the accounts as at 31 March 2021.

11. Mortality improvements are assumed to be in line with the latest 2018-based projections for the United Kingdom published by the ONS in October 2019. This is the same assumption as that used for the 2020-21 accounts

12. The other demographic assumptions, such as for commutation and family statistics, are unchanged from the 2020-21 accounts.

Liabilities

13. Table F summarises the assessed value as at 31 March 2022 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs 4 to 12. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2021 and 2022 both include an allowance for the higher cost of benefits accruing under McCloud.

Table F: Statement of financial position

	31 March 2022	31 March 2021
	£ billion	£ billion
Total market value of assets	nil	nil
Value of liabilities	19.39	17.65
Surplus/(Deficit)	(19.39)	(17.65)
of which recoverable by employers	n/a	n/a

Accruing costs

14. The cost of benefits accrued in the year ended 31 March 2022 (the current service cost) is assessed as 68.6% of pensionable pay.

15. For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. Members contributed between 4.6% and 8.1% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table G shows the employer and employee contributions during the year 2021-22 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2021-22 accounts.

Table G - Contribution rate

	2021-2022	2020-2021
	% of pay	% of pay
Employer contributions*	29.8%	29.8%
Employee contributions (average)	5.4%	5.4%
Total contributions	35.1%**	35.1%**
Current service cost (expressed as a % of pay)	68.6%	61.1%

* Under the current arrangements, the expenses of administering are borne by employers through an administration levy which is included in the contributions payable to the scheme (0.25% of pay).

**Rounding difference in total

16. The key difference between the assumptions used for funding valuations and accounts is the discount rate, although price inflation and salary increases are also determined differently and the assumption for future improvements in life expectancy has been updated. The discount rate for accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.

17. The pensionable payroll for the financial year 2021-22 was £0.91 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2021-22 (at 68.6% of pay) is assessed to be £0.62 billion. This includes an allowance for the higher cost of benefits accruing over the year under McCloud.

18. Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any other events that have led to a material past service cost over 2021-22.

19. I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2021-22.

Sensitivity analysis

20. 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 2022 of changes to the most significant actuarial assumptions.

21. The most significant financial assumptions are the discount rate, general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.

22. Table H shows the indicative effects on the total liability as at 31 March 2022 of changes to these assumptions (rounded to the nearest 0.5%).

Table H - Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability		
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	-10.0%	- £1.9 billion
(ii) (long-term) earnings increase*:	+0.5% p.a.	+2.0%	+ £0.4 billion
(iii) pension increases*:	+0.5% p.a.	+9.0%	+ £1.7 billion
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+4.0%	+ £0.8 billion

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

COVID-19 implications

23. As with the accounts last year, the 2021-22 Resource Accounts are being produced when the UK continues to deal with the COVID-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Resource Accounts.

24. The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2021) 12 Revised, dated 13 December 2021, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

25. The long-term salary assumption is set by DoF, having taken actuarial advice, and is intended to be an average over the future careers of scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The assumption allows for a reduction in our view of the long-term salary increases as well as lower short-term forecasts from the Office for Budget Responsibility.

26. The current population mortality projections make no specific allowance for the impact of COVID-19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. My view is that it remains too early in the pandemic to determine whether COVID-19 changes the long-term view of life expectancy in the UK. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from COVID-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future accounting periods.

Ken Starr FIA
Actuary
Government Actuary's Department
16 May 2022

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, the Department of Finance 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, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going-concern basis;
- confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Department of Finance 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 schemes, are set out in the Accounting Officers' Memorandum issued by the Department of Finance and published in *Managing Public Money Northern Ireland*.

GOVERNANCE STATEMENT

The Department of Finance is one of nine Northern Ireland departments. The Department is governed under a model with the following responsibilities:

- the Minister for Finance 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 the managing and controlling of 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 as shown below on page 36.

The Assembly passed the Budget Act (Northern Ireland) 2022 in March 2022 which authorised the cash and use of resources for all departments for the 2021-22 year, based on the Executive's final expenditure plans for the year. The Budget Act (Northern Ireland) 2022 also authorised a Vote on Account to authorise departments' access to cash and use of resources for the early months of the 2022-23 financial year. The cash and resource balance to complete for the remainder of 2022-23 will be authorised by the 2022-23 Main Estimates and the associated Budget Bill based on an agreed 2022-23 Budget. In the event that this is delayed, then the powers available to the Permanent Secretary of the Department of Finance under Section 59 of the Northern Ireland Act 1998 and Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2001 will be used to authorise the cash, and the use of resources during the intervening period.

This Governance Statement, which has been agreed by CSP management, sets out how these responsibilities have been discharged during 2021-22.

Context

The DoF Business Plan for 2021-22 was published in July 2021. Seventy targets were included under seventeen priorities

The targets and priorities outlined in the plan continued to work in support of the NICS Outcomes Delivery Plan. An extensive public consultation and engagement process was undertaken between January and April 2021 on a draft Outcomes Framework as the first step in the development of a new, strategic Programme for Government (PfG).

Feedback from the consultation demonstrated continued widespread support for the Outcomes based approach and for the draft Outcomes consulted on. A revised draft Framework has been prepared by officials to take account of feedback received from the public consultation and engagement process and it is hoped this will be presented to an incoming Executive for early consideration at the beginning of the new mandate, however it will be for incoming Ministers to determine how the PfG is progressed.

DoF's development of a business plan for 2022-23 will continue to focus on key service delivery. In meeting the priorities, DoF will continue to support the Executive and provide the NICS and other public

bodies with money, professional services and business support systems, helping them to deliver excellent, value for money public services.

Accounting Officer

The Permanent Secretary as Departmental Accounting Officer is responsible to the Minister and to the Assembly for the proper handling and reporting of the use of public money by the Department under the main principles set out in *Managing Public Money Northern Ireland (MPMNI)* and for establishing and maintaining a sound system of internal control for the management of resources under the Permanent Secretary's control.

At the beginning of the financial year, the Accounting Officer delegated responsibility to the Directors and Chief Executives for the management of budgets within their respective business areas. Formal assurances were received 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 assurance statements. Key issues emanating from those statements are reflected in this Governance Statement.

Departmental Board

The Accounting Officer chairs the Board, which met on eight occasions in 2021-22. Seven of these meetings were held online and one in person.

During 2021-22, the Board held regular discussions on:

- COVID-19 response;
- finance;
- HR;
- risk;
- performance;
- communications;
- new ways of working;
- strategic issues; and
- the UK's exit from the EU/Northern Ireland Protocol

In addition, the Board also considered and discussed commercial capability plan, Integr8, staff absence/work related stress and the Green Growth Action Plan.

Compliance with the Corporate Governance in Central Government Departments: Code of Good Practice NI

The Department has in place a Corporate Governance Framework that is available on the staff intranet site. This reflects the key principles in 'Corporate governance in central government departments: Code of good practice NI (2013)' and sets out details of the Department's corporate governance arrangements.

The Department is compliant with the spirit and principles of the Code across the majority of its aspects.

Although compliant, the Department is seeking to improve its effectiveness. An independent review was carried out during 2021-22. The assessment identified that there was further potential to be realised. There were a number of recommendations put forward, the majority of which were accepted and some already implemented. Some recommendations were longer term in nature and will be kept under review.

The scrutiny of the performance of the Department’s sponsored bodies was one recommendation and has been accepted and will be reviewed during the 2022-23 financial year. The DoF Departmental Board Operating Framework will be updated to reflect the recommendations from the Board effectiveness review.

Attendance of non-executive and executive members at Board and DARC meetings during 2021-22:

Role	Name	Number of Board Meetings Attended (8 in total)	Number of DARC Meetings Attended (9 in total)
Permanent Secretary	Sue Gray	1	1
	Colum Boyle	7	6
Chief Executive LPS	Ian Snowden	6	n/a
Chief Executive NISRA	Siobhan Carey	3	n/a
	David Patterson	3	
Departmental Solicitor*	Hugh Widdis	0*	n/a
Deputy Departmental Solicitor	Claire Archbold	6	n/a
	Louise Crilly	2	
Director PSD	Joanne McBurney	5	n/a
Director SPAR	Bill Pauley	8	n/a
Director NICSHR	Jill Minne	5	n/a
Director CPD	Sharon Smyth	8	n/a
Director ESS	Paul Duffy	8	n/a
Director FCSD	Stewart Barnes	7	8
Director CaED	Mark McLaughlin	8	n/a
Non-Executive Board Member	Liz Ensor	7	9
Non-Executive Board Member	John Smyth	7	7
Non-Executive Board Member	Tom Taylor	7	8

*While the Departmental Solicitor remains a DoF Board Member and has the right to attend meetings, he does not attend.

Civil Service Pension Board

The Northern Ireland Civil Service Pensions Board (NICSPB), is a body which was established on 1st 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.

The NICSPB has three nominees each from employers who participate in the scheme and employee representatives. It has two non-voting members and is chaired by an independent chairperson. The NICSPB met on 4 occasions in 2021-22, with 3 of those meetings being held virtually in accordance with Covid-19 guidance in place at that time. Minutes of all Board meetings are published on the Departmental website. Each year the NICSPB produces a review of its work for the year via its Annual Report which are published on the Northern Ireland Civil Service Pension Board (NICSPB) page on the CSP(NI) website at: www.finance-ni.gov.uk/articles/northern-ireland-civil-service-pensions-board-nicspb

Current NICSPB members are:

- Bumper Graham (Independent Chairperson)
- John Crosby (DoF) - Employer Nominee
- Michael Cowan (DoJ) - Employer Nominee
- Gary Fair (DE) - Employer Nominee
- Dooley Harte (NIPSA) - Employee Nominee
- Laurence McCann (FDA) – Employee Nominee
- John McCloskey (NIPSA) Employee Nominee
- Peter Philip (DoF - Policy and Legislation) non-voting representative
- Olivia McMenamy (Finance) non-voting representative

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. The SAB comprises one employee and one employer representative and is chaired by a senior Departmental official. The SAB met on 1 occasion during 2021-22.

Declarations of Interest

Corporate Governance Branch maintains a “Register of Interests” for all staff at the senior civil service grades, which includes the members of the DoF 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 DoF does business;
- Gifts or benefits received in connection with work in DoF;
- Membership of professional institutes and/or committees; and
- Any other interests that could have a conflict.

During the 2021-22 financial year the Treasury Officer of Accounts issued Dear Accounting Officer letter 07/21 (DAO 07/21) which provided generic guidance on Declarations of Interest. This was used to update the DoF guidance, resulting in a number of changes;

- Line manager assessment/actions recorded – the introduction of a more formal process whereby line managers have to record that they are aware of their staff declarations, that they have assessed any potential conflict with the Department’s business and any actions they have/will take to mitigate the conflict if it arises;
- Register of interest – each Directorate is now tasked with holding an up to date register of interests for all staff who complete a declaration of interest return, which will feed into the Department’s Senior Civil Servants (SCS) register;
- Publication of SCS register – the Department has committed to publishing a Declarations of Interest register in respect of the SCS staff; and
- New forms and register – in order to facilitate the above changes new forms were introduced and a new register was established.

The draft guidance was then issued to the Departmental Board in April 2022 for comment and will be finalised during 2022-23.

For 2021-22 a number of interests were declared which could potentially pose a conflict with the business of the Department. However, the Accounting Officer has been provided with assurance that line manager assessments have been carried out, mitigations are in place if necessary and that no significant conflict has materialised.

For staff at the grades below SCS, declarations of interest are monitored by the relevant Grade 3/5 and then confirmed through the bi-annual assurance statement process.

In accordance with Section 6 of the Civil Service (Special Advisers) Act (Northern Ireland) 2013, the Department published an annual report containing the number and costs of all NICS special advisers. The publication also contained details for the Minister. In line with the current Declaration of Interest policy for special advisers, all special advisers have declared any relevant interest or confirmed they do not consider they have any relevant interests. The Permanent Secretary has considered these returns for the DoF Special Adviser and determined that there are no conflicts of interest to declare. Neither the Minister nor the SPAD have any interests which would conflict with the business of the Department. The publication is available at [Register of Ministers’ and Special Advisers’ Interests \(finance-ni.gov.uk\)](https://finance-ni.gov.uk/register-of-ministers-and-special-advisers-interests).

Business Appointments

In compliance with the Business Appointment rules on the acceptance of Outside Business Appointments, Employment or Self - Employment by Civil Servants after leaving the NI Civil Service contained in Northern Ireland Civil Service HR Policy 6.01 Standards of Conduct, the Department is transparent in the advice given to individual applications for senior staff, including special advisers. No applications were received regarding specific business appointments in respect of applications from SCS Grade 5 and above, including equivalent grades, and Special Advisers during 2021-22 and therefore no publication was necessary.

Cost Controls

Scheme regulations set a rate, expressed as a percentage of pensionable earnings of members of the schemes, to be used for the purposes 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 those margins, provision specifying a target cost within those margins.

Scheme regulations incorporate provision for a cost control mechanism. In January 2019, the government announced a pause to the cost control mechanism in public service pensions schemes, due to uncertainty about benefit entitlements arising from the ‘McCloud’ judgment on age discrimination in public service pension schemes.

The 2016 scheme valuation report was finalised without reference to the cost cap mechanism and employer contribution rates were implemented from 1 April 2019.

In July 2020 the government announced it would commence the process for new valuation directions to re-establish the cost cap for GB public service schemes. Comparable directions for devolved schemes are subject to statutory consultation and DoF commissioned a consultation in relation to the Cost Cap Valuation Directions which closed on 25 June 2021.

Following consultation, the Department of Finance published revised Valuation directions in November 2021 which enabled the 2016 Valuation to be completed and the final cost cap results to be determined. The final NICS Pension Scheme results were published in March 2022 and take into account the increased value of public service pensions, attributable to the ‘McCloud remedy’. The cost cap cost of the scheme is 0.5% above the employer cost cap and lies within the $\pm 2\%$ corridor, as specified in the Department of Finance Regulations, and means no changes to benefits or member contributions are required. A copy of the Unpause Cost Cap Valuation Report is available on the Civil Service Pensions (NI) website at: www.finance-ni.gov.uk/articles/northern-ireland-civil-service-pension-scheme-valuations.

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 Non-Executive Board Members and operates under the best practice guidance contained within the Audit and Risk Assurance Committee Handbook (NI) issued under DAO (DoF) 03/18 in March 2018.

In total the Committee met on nine occasions during the course of 2021-22 with four full agenda meetings, three to discuss draft accounts and two deep dive meetings. The deep dive meetings concentrated on key risk areas including:

- ESS Assurance statements; and
- Cyber Security.

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

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

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

- Progress against internal audit plans and development of future plans;
- Progress against internal audit recommendations;
- Departmental Resource Accounts;
- Assurance Statements provided by all Business Area Directors;
- Reports to Those Charged with Governance and Value for Money reports provided by NI Audit Office;
- Direct Award Contracts (DACs) & External Consultancy;
- Accountability Grids in relation to Public Accounts Committee recommendations; and
- Fraud and Raising Concerns (whistleblowing).

At each meeting the DARC receives a summary position of the Recommendations Register which indicates the progress being made against each internal audit recommendation and an indication of which recommendations have been rejected by management. This supports DARC in identifying those recommendations which are past due or which require further discussion at DARC level.

The Chair of the DARC presents the minutes of the DARC meeting and the Fraud and Raising Concerns update to the Departmental Board, and prepares an annual report outlining the work undertaken by the Committee and providing assurance on the systems of internal control in operation across DoF.

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 annual forecasts

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 expenditure and forecast information and analysis of variance against budgets which enables the Board to assess the extent to which corrective action is needed to address the Department's financial position.

Governance and Control Framework

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

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

The resource position of the corporate governance team was reviewed during the year and benchmarked with other departments. The structure of the team was considered and additional resource secured. There are now two small teams i.e. corporate governance branch and corporate planning and compliance branch addressing governance issues within DOF. Handover of processes has been ongoing and the intention for 2022-23 will be to review and refresh the current Governance and Control Framework.

A key element of the Governance and Control Framework is the DoF 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. During 2021-22 the Permanent Secretary led a small sub-group of the Board to review and refresh the risk register. The risks were individually reviewed and reduced to ten risks. The format for recording the risk and changes over the quarters was also changed in year. The Corporate Risk Register is supported by further risk registers at Directorate and Agency level.

DoF has systems and processes in place, designed to support data protection, information management, and physical, IT and cybersecurity, including the appointment of a Senior Information Risk Owner (SIRO), and a network of Information Asset Owners (IAOs).

Departmental Performance

The DoF Business Plan 2021-22 set out the targets and objectives for the year against which performance is reported and monitored. Progress has been reported to the Board using a RAG status assessment of each target and narrative on the actions taken to deliver the expected outcomes.

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

Level of Assurance

The Accounting Officer is responsible for reviewing the effectiveness of the system of internal control. This review is informed by the information provided in assurance statements from Directors bi-annually. The statements are based on assurances provided by Directors within business areas on risk management, financial management, compliance with approvals and delegations, procurement and contract management, fraud and raising concerns (whistleblowing), information management and assurance, business continuity, cybersecurity, declaration of interest and on the implementation of independent review recommendations including Internal Audit.

At the year end the Directors were asked to provide their own overall assessment of the position. The DARC carried out a deep dive session on the end year statements. While there was full compliance in the majority of areas across the Department, there was partial compliance in some areas including cybersecurity. Work is ongoing in relevant business areas continuing to improve processes and progress will continue be monitored. Further assurance is provided by the Head of Internal Audit on compliance with the controls and actions recommended in audit assignments which have been conducted.

The Department's internal audit unit conducted a programme of work during 2021-22 although some audits were postponed to future years. However, Internal Audit had undertaken sufficient audits to facilitate the provision of an audit opinion and the Head of Internal Audit provided an overall satisfactory opinion on the systems of internal control operating across the Department. Internal Audit issued individual reports to senior managers providing an objective and independent assessment of the systems of internal control in operation across DoF together with prioritised recommendations to strengthen controls and implement further improvements.

Resourcing issues continue to impact the whole NICS Group Internal Audit Service but this, combined with the impact of the COVID-19 crisis, resulted in Internal Audit focusing attention on those areas of greatest risk to the Department. Internal Audit also provided advice and guidance to business areas on both COVID 19 related issues and other operational functions. During the year Internal Audit provided DARC, at regular intervals, with a synopsis of the main findings arising from each audit. In addition, DARC received copies of all final audit reports thirteen of which received a satisfactory audit opinion although limited opinions were issued in three areas.

Fraud prevention and awareness

The DoF Fraud Working Group met in November 2021 and May 2022. The group considers issues in relation to fraud, raises awareness of anti-fraud measures and disseminates information pertinent to the prevention and detection of fraud.

Numerous guides, updates and communications were issued to staff through the year. As a result of the groups discussions both the fraud and cybersecurity awareness training became compulsory on an annual basis within DoF.

The Department takes a zero tolerance approach to fraud, reporting instances of fraud to the police as necessary. The Department participates fully in the National Fraud Initiative (NFI) by investigating matches in relation to payroll, pensions, trade creditors, rates, housing benefit and lone pensioner data. The current exercise is ongoing and the outcomes are included in the draft NFI report.

NFI progress updates are included in each Fraud and Raising Concerns paper presented to the DARC. The paper is a standing agenda item. The Departmental Board receives the minutes of each DARC which record the discussions around fraud and raising concerns (whistleblowing) in the Department.

Arrangements are in place for raising concerns (whistleblowing) and can be used to raise concerns about alleged impropriety, wrongdoing, corruption, fraud or malpractice. These are regularly discussed and reviewed at the DARC meetings throughout the year and reported to the Board. This ensure cases are progressed and the arrangements are operating effectively. Work is ongoing on a revised policy framework on raising concerns at NICS level due to be published in the summer.

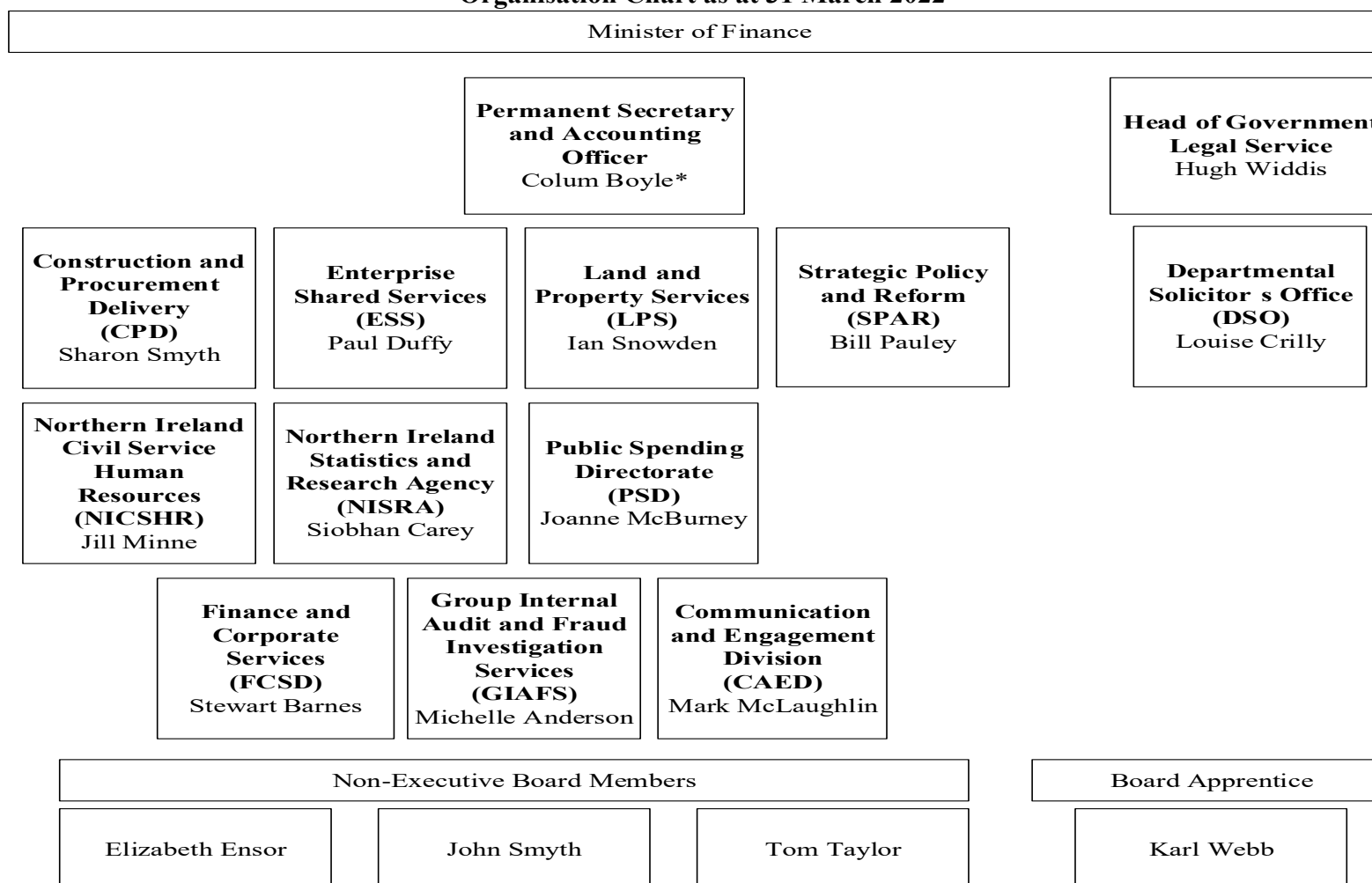
Conclusion

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 2021-22 and up to date of approval of annual report and accounts.



NEIL GIBSON
Accounting Officer
Department of Finance
Date: 30 June 2022

Organisation Chart as at 31 March 2022



*Colum Boyle ceased to be Accounting Officer on 31 March 2022 and Neil Gibson started 01 April 2022

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STATEMENT OF OUTTURN AGAINST ASSEMBLY SUPPLY

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Northern Ireland Civil Service Pension Scheme to prepare a Statement of Assembly Supply (SOAS) and supporting notes.

The SOAS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly.

The SOAS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision for resource and cash (drawn primarily from the Consolidated Fund), that the Assembly gives statutory authority for entities to utilise. The Estimate details supply and is voted on by the Assembly at the start of the financial year and is then normally revised by a Supplementary Estimate at the end of the financial year. It is the final Estimate, normally the Spring Supplementary Estimate, which forms the basis of the SOAS.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOAS mirrors the Supply Estimates to enable comparability between what the Assembly approves and the final outturn. The Supply Estimates are voted by the Assembly and published on the DoF website.

The supporting notes detail the following: A reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SOAS to the financial statements (note 1); a reconciliation of net resource outturn to net cash requirement (note 2); an analysis of income payable to the Consolidated Fund (note 3), and a reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund (note 4).

Summary table, 2021–22, all figures presented in £000

Type of Spend	Note	Outturn			Estimate			Outturn vs Estimate, saving/(excess)	Prior Year Outturn Total, 2020-22
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total	
Providing for payment to persons covered by the Northern Ireland Civil Service Pension Arrangements, the Civil Service Compensation Scheme (NI), [CSCS(NI)] and the Civil Service Injury Benefit Scheme (NI),[CSIB(NI)].									
Departmental Expenditure Limit Redundancy and early retirement costs		3,756	3,756	-	15,000	15,000	-	-	-
Annually Managed Expenditure Pensions, lump sums and gratuities		852,007	326,378	525,629	868,044	330,044	538,000	12,371	507,490
Total resources	SOAS1	855,763	330,134	525,629	883,044	345,044	538,000	12,371	507,490

Net Cash requirement 2021–2022, all figures presented in £000

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/(excess)	Prior Year Outturn Total, 2020-21
Current year		59,797	80,000	20,203	63,052
Net Cash requirement	SOAS 2	59,797	80,000	20,203	63,052

Summary of income payable to the Consolidated Fund

	Note	Forecast 2021-22		Outturn 2021-22	
		Income	Receipts	Income	Receipts
		-	-	-	-
Total amount payable to the Consolidated Fund	SOAS 3	-	-	-	-

Notes to the Statement of Outturn against Assembly Supply, 2021–22 (£000s)**SOAS note 1. Reconciliation of outturn to net operating expenditure**

Item	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Prior Year Outturn Total 2020-21
Net Resource Outturn	SOAS 1	525,629	538,000	12,371	507,490
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure	SOCNE	525,629	538,000	12,371	507,490

As noted in the introduction to the SOAS above, Outturn and Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this note reconciles the resource outturn to net operating expenditure, linking the SOAS to the financial statements.

SOAS note 2. Reconciliation of net resource outturn to net cash requirement

Item	Note	Outturn total	Estimate	Outturn vs Estimate, Saving / (excess)
Resource outturn	SOAS 1	525,629	538,000	12,371
Adjustments to remove non-cash items:				
New provisions and adjustments to previous provisions		(852,007)	(868,044)	(16,037)
Changes in working capital other than cash		2,285	15,917	13,632
Changes in payables falling due after more than one year				
Use of provisions:				
Pension		383,890	394,127	10,237
Excess cash receipts surrenderable to the Consolidated Fund	SOAS 3	-	-	-
Net cash requirement		59,797	80,000	20,203

As noted in the introduction to the SOAS above, outturn and Estimates are compiled against the budgeting framework, not on a cash basis. This reconciliation bridges the resource outturn to the net cash requirement.

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

Item	Note	Forecast, 2021-22		Outturn, 2021-22	
		Income	Receipts	Income	Receipts
Operating income and receipts – excess Accruing Resources	SOAS 4	-	-	-	-
Total amount payable to the Consolidated Fund		-	-	-	-

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

Item	Note	2021-22 £'000	2020-21 £'000
Northern Ireland Civil Service pension schemes			
Operating income	3,4	326,378	305,546
Adjustments for transactions between RfRs		-	-
Gross income		326,378	305,546
Income authorised to be Accruing Resources		326,378	305,546
Operating income payable to the Consolidated Fund	SOAS 3	-	-
Civil Service Compensation Scheme (NI)			
Operating income	8,10	3,756	5,323
Adjustments for transactions between RfRs		-	-
Gross income		3,756	5,323
Income authorised to be Accruing Resources		3,756	5,323
Operating income payable to the Consolidated Fund	SOAS 3	-	-



NEIL GIBSON
Accounting Officer,
Department of Finance
Date: 30 June 2022

OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURES

Losses

Total Scheme losses during the year did not exceed £250,000.

Special Payments

There were no special payments made by the Scheme during the year.

CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**Opinion on financial statements**

I certify that I have audited the financial statements of the Department of Finance: Superannuation and Other Allowances Pension Scheme (the Scheme) for the year ended 31 March 2022 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Government Financial Reporting Manual.

I have also audited the Statement of Outturn against Assembly Supply, and the related notes.

In my opinion the financial statements:

- give a true and fair view of the state of the scheme's affairs as at 31 March 2022 and of its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2022 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.

Basis for opinions

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

Conclusions relating to going concern

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

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

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

Other Information

The other information comprises the information included in the annual report other than the financial statements and my audit certificate and report. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

I have nothing to report in this regard.

Opinion on other matters

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

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

Matters on which I report by exception

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

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 the Department of Finance's guidance.

Responsibilities of the Accounting Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Government Resources and Accounts Act (Northern Ireland) 2001;
- making enquires of management and those charged with governance on the Scheme's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of Scheme's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: management override of controls; and presentation of the Statement of Assembly Supply;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:
 - performing analytical procedures to identify unusual or unexpected relationships or movements;
 - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
 - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
 - investigating significant or unusual transactions made outside of the normal course of business,

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Outturn against Assembly Supply properly presents the outturn against voted Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
1 Bradford Court
Galwally
BELFAST
BT8 6RB

5 July 2022

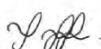
FINANCIAL STATEMENTS**Combined Statement of Comprehensive Net Expenditure
for the year ended 31 March 2022**

	Note	2021-22 £'000	2020-21 £'000
Principal Arrangements – Northern Ireland Civil Service Pension Schemes			
Income			
Contributions receivable	3	320,967	302,338
Transfers in	4	5,411	3,208
		326,378	305,546
Expenditure			
Service cost	5, 15.4	(623,464)	(524,179)
Enhancements	6, 15.4	(1,019)	(804)
Transfers in	7, 15.4	(5,411)	(3,208)
Pension financing cost	9, 15.4	(222,113)	(284,845)
		(852,007)	(813,036)
Net expenditure		(525,629)	(507,490)
Agency Arrangements – Civil Service Compensation and Injury Benefit Schemes (NI)			
Income			
Injury payments recoverable from Employers	8	3,398	3,837
Compensation payments recoverable from Employers	10	358	1,486
		3,756	5,323
Expenditure			
Injury benefits payable	8	(3,398)	(3,837)
Compensation benefits payable	10	(358)	(1,486)
		(3,756)	(5,323)
Net expenditure		-	-
Other Comprehensive Net Expenditure			
Pension re-measurements:			
-Actuarial (loss)/gain	15.7	(1,271,434)	(1,458,750)
		(1,271,434)	(1,458,750)
Total Comprehensive Net Expenditure for the year ended 31 March 2022		(1,797,063)	(1,966,240)

Notes 1 to 20 form part of these financial statements.

**Combined Statement of Financial Position
as at 31 March 2022**

	Note	31 March 2022 £000	31 March 2021 £000
Principal arrangements – Northern Ireland Civil Service Pension Schemes			
Current assets:			
Receivables	12	26,087	24,478
Cash and cash equivalents	13	541	5,490
Total current assets		26,628	29,968
Current liabilities:			
Payables (within 12 months)	14	(7,758)	(13,217)
Total current liabilities		(7,758)	(13,217)
Net current assets excluding pension liability		18,870	16,751
Pension liability	15.4	(19,386,000)	(17,646,449)
Net liabilities, including pension liability		(19,367,130)	(17,629,698)
Agency Arrangements - Civil Service Compensation and Injury Benefit Schemes (NI)			
Receivables	16	446	280
Net assets		446	280
Combined schemes - total net liabilities		(19,366,684)	(17,629,418)
Taxpayers' equity:			
General fund		(19,366,684)	(17,629,418)
		(19,366,684)	(17,629,418)

Signed:


Neil Gibson
Accounting Officer
Date: 30 June 2022

Notes 1 to 20 form part of these financial statements.

**Combined Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2022**

	Note	General Fund	
		2021-22	2020-21
		£'000	£'000
Balance as at 1 April		(17,629,418)	(15,726,230)
Net Assembly Funding - drawn down			
- current year		54,848	65,062
Net Assembly Funding - deemed		5,490	3,480
Supply (payable) / receivable	14	(541)	(5,490)
Combined net expenditure for the year		(525,629)	(507,490)
Actuarial (loss) / gain	15.7	(1,271,434)	(1,458,750)
Net change in Taxpayers' Equity		(1,737,266)	(1,903,188)
Balance at 31 March		(19,366,684)	(17,629,418)

Notes 1 to 20 form part of these financial statements.

**Combined Statement of Cash Flows
for the year ended 31 March 2022**

	Note	2021-22 £'000	2020-21 £'000
Cash flows from operating activities			
Combined net expenditure for the year		(525,629)	(507,490)
(Increase)/decrease in receivables - principal arrangements	12	(1,609)	462
(Increase)/decrease in receivables - agency arrangements	16	(166)	426
<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	14	(5,459)	5,169
(Decrease)/increase in payables: compensation scheme			
Short-term payables	17	-	-
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure (i.e. Consolidation fund 21-20: bank, 20-21: bank & CER)</i>			
		4,949	(2,010)
Increase in pension provision	15.4	845,577	809,024
Increase in pension provision - enhancements and transfers in	15.4	6,430	4,012
Use of provisions - pension liability	15.5	(378,563)	(365,726)
Use of provisions - refunds and transfers	15.6	(4,181)	(4,737)
Use of provisions - death in service	15.5	(1,146)	(2,182)
Net cash outflow from operating activities		(59,797)	(63,052)
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		54,848	65,062
From the Consolidated Fund (Supply) - prior year		-	-
Net financing		54,848	65,062
Compensation agency payments made on behalf of employers	10	358	1,242
Reimbursement of compensation payments made on behalf of employers	10	(358)	(1,242)
Injury benefit payments made on behalf of employers	8	3,398	3,837
Reimbursement of injury benefit payments made on behalf of employers	8	(3,398)	(3,837)
Lump sum payments made on behalf of employers (compensation)	10	-	244
Reimbursement of lump sums made on behalf of employers	10	-	(244)
Net financing		54,848	65,062
Net (decrease)/increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		(4,949)	2,010
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		-	-
Payments of amounts due to the Consolidated Fund		-	-
Net (decrease)/increase in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund		(4,949)	2,010
Cash and cash equivalents at the beginning of the year	13	5,490	3,480
Cash and cash equivalents at the end of the year	13	541	5,490

Notes 1 to 20 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 2021-22 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance. 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, as adapted or interpreted for the public sector, the *FReM* also requires the Schemes to prepare an additional statement – a Statement of Outturn against 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 DoF. 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 calculation of lump sum compensation payments arising under the Scheme. The majority of payments are made directly by employers. The recurring compensation payments made on behalf of employers 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.

An assessment of International Financial Reporting Standards (IFRS) considered 'IFRS 16 Leases' and 'IFRS 17 Insurance Contracts' and determined they are not applicable to the Scheme.

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 year. The cost is based on the discount rate applicable at 1 April 2021, based on the financial and demographic assumptions applying as at 31 March 2021. For this calculation pension increases are assumed to be in line with Consumer Price Index (CPI) for benefits accrued and are recognised in the Combined Statement of Comprehensive Net Expenditure.

2.6 *Past service cost*

The past service cost is the change in the present value of the pension liability relating to employee service in prior years arising in the current year 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 year in the present value of the pension liability because the benefits are one year closer to settlement. The interest cost is based on the discount rate applicable at 31 March 2021, i.e. 1.25% 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 2022 (based on the applicable PES rate at November 2021), being (1.3%) real rate (i.e. 1.55% per cent including inflation (2020-21: 0.95% per cent real rate (i.e. 1.25% 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 years the actuary reviews the most recent actuarial valuation at the reporting date and updates it to reflect current conditions. The pension liability included in these financial statements has been calculated using membership data as at 31 March 2020 and demographic assumptions adopted for the 2016 full funding valuation. Membership data has subsequently been rolled forward using cashflows as a proxy for membership movements through to 31 March 2022. These assumptions represent significant judgements on behalf of the scheme. Whilst this approach is reasonable and provides an appropriate basis for IAS 19 valuation purposes in line with *FReM* requirements, it introduces some degree of uncertainty. It should therefore be recognised the results for the IAS 19 valuation at 31 March

2.9 Pension liability (continued)

2022 included in these financial statements may differ from those that would emerge following a full actuarial valuation based on actual membership data at 31 March 2022.

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.

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 year 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 11.2 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 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 2021-22 an amount of £1,760k (2020-21 - £2,001k) was collected by NICS Pension Schemes from participating employers and remitted to the Department of Finance 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.

2.22 Going Concern

The Statement of Financial Position as at 31 March 2022 shows net liabilities of £19.367bn most of which represents pension liabilities falling due after one year. It is considered appropriate to adopt a going concern basis for the preparation of the financial statements as the Schemes are supply financed and draw their funding from the Consolidated Fund. Therefore there is no liquidity risk in respect of the liabilities due in future years. Contributions partially fund payments made by the Schemes, the balance of funding being provided by the NI Assembly through the annual Supply Estimates process (as referenced in Note 1.1).

3. Contributions receivable

	2021-22	2020-21
	£'000	£'000
Employers	270,955	255,306
Employees:		
Normal	48,993	46,228
Purchase of added years/added pension/Expected Pension Age	1,019	804
	320,967	302,338

£342 million contributions are expected to be payable to the Scheme in 2022-23. The expected increase from 2021-22 is as a result of an assumed pay award and an increase in active membership numbers.

4. Transfers-in (see also Note 7)

	2021-22	2020-21
	£'000	£'000
Group transfers in from other schemes	11	8
Individual transfers in from other schemes	5,400	3,200
	5,411	3,208

5. Service cost (see also Note 15.4)

	2021-22	2020-21
	£'000	£'000
Current service cost	623,464	524,179
Past service cost	-	-
	623,464	524,179

6. Enhancements (see also Note 15.4)

	2021-22	2020-21
	£'000	£'000
Employees:		
Purchase of added years/added pension/Expected Pension Age	1,019	804
	1,019	804

7. Transfers in – additional liability (see also Notes 4 and 15.4)

	2021-22 £'000	2020-21 £'000
Group transfers in from other schemes	11	8
Individual transfers in from other schemes	5,400	3,200
	<u>5,411</u>	<u>3,208</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.

8. Injury benefits

	2021-22 £'000	2020-21 £'000
Injury benefits payable	3,398	3,837
Less: recoverable from employers	(3,398)	(3,837)
	<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.

9. Pension financing cost (see also Note 15.4)

	2021-22 £'000	2020-21 £'000
Net interest on defined benefit liability	222,113	284,845
	<u>222,113</u>	<u>284,845</u>

10. Compensation benefits payable

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

	2021-22 £'000	2020-21 £'000
Recoverable from employers (cash flow statement)	(358)	(1,242)
Total annual compensation payable	<u>(358)</u>	<u>1,242</u>
Lump sums payable recoverable from employers	-	(244)
Total lump sums payable	<u>-</u>	<u>244</u>

11. Additional Voluntary Contributions

11.1 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.

11.2 The aggregate amounts of AVC investments are as follows:

	2021-22 £'000	2020-21 £'000
Scottish Widows*		
Balance as at 6 April	4,633	3,894
Contributions received	-	201
Settlements	-	(318)
Changes in market value of investments	-	856
Balance as at 5 April	4,633	4,633

* At the date of approval of the financial statements, Scottish Widows were unable to provide an update on member AVC investments. AVC investments as at 31 March 2022 have therefore been recognised consistent with the last annual statement values provided by Scottish Widows as at 31 March 2021 of £4,633k.

	2021-22 £'000	2020-21 £'000
Utmost		
Balance as at 6 April	594	668
Contributions received	8	3
Settlements	-	-
Retirement benefits	(5)	-
Leavers (transfers and withdrawals)	(33)	(169)
Refunds	(4)	-
Contributions received but not yet used to purchase benefit	-	-
Changes in market value of investments	18	92
Balance as at 5 April	578	594

11.2 The aggregate amounts of AVC investments are as follows: (continued)

	2021-22 £'000	2020-21 £'000
Standard Life		
Balance as at 6 April	2,324	1,871
Contributions received and transfers in	99	91
Expenditure and transfers out	(76)	(26)
Changes in market value of investments	-	388
Balance as at 5 April	2,347	2,324

12. Receivables – contributions due in respect of pensions

	2021-22 £'000	2020-21 £'000
Analysis by type		
Amounts falling due within one year:		
Pension contributions due from employers	21,480	20,104
Employees' normal contributions	3,866	3,634
Contributions for employees' added years/added pension	72	61
Group transfers	194	183
Overpaid pensions	591	592
Provision for doubtful debts	(116)	(96)
Balance at 31 March	26,087	24,478

There are no amounts due after more than one year as at 31 March 2022 or 31 March 2021.

13. Cash and cash equivalents

	2021-22 £'000	2020-21 £'000
Balance at 1 April	5,490	3,480
Net change in cash balances	(4,949)	2,010
Balance at 31 March	541	5,490
The following balances at 31 March were held at:		
Commercial banks and cash in hand	541	5,490
Balance at 31 March	541	5,490

14. Payables – in respect of pensions

Analysis by type	2021-22 £'000	2020-21 £'000
Amounts falling due within one year		
Pensions	327	571
Other payables	4,740	5,146
Transfers out	2,150	2,010
Amounts issued from the Consolidated Fund for supply but not spent at year end	541	5,490
Balance at 31 March	7,758	13,217

There are no amounts payable after more than one year as at 31 March 2022 or 31 March 2021.

15. Pension liability**15.1 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 2022. The Report of the Actuary on pages 20 to 24 sets out the scope, methodology and results of the work the Actuary has carried out. Further details regarding the IAS 19 valuation at 31 March 2022 are included in note 2.9.

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.

15.2 Analysis of the provision for pension liability

Categories	At 31 March 2022 £bn	At 31 March 2021 £bn	At 31 March 2020 £bn	At 31 March 2019 £bn	At 31 March 2018 £bn
Pensions in Payment	6.44	6.39	5.27	4.94	5.05
Deferred Pensions	1.08	0.98	0.99	0.85	0.89
Active Members (Past Service)	11.86	10.28	9.49	7.53	7.49
Total	19.39*	17.65	15.75	13.32	13.43

(* rounding difference)

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.

15.3 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 15.7. Note 15.8 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 H in the Report of the Actuary on page 24 indicates the order of magnitude of changes to these assumptions on the Schemes' liabilities.

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty GAD have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2022 of changes to the most significant actuarial assumptions. The most significant financial assumptions are the discount rate, general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.

The table below shows the indicative effects on the total liability as at 31 March 2022 of changes to these assumptions (rounded to the nearest 0.5%).

15.3 Sensitivity analysis (continued)Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability		
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	-10.0%	- £1.9 billion
(ii) (long-term) earnings increase*:	+0.5% p.a.	+2.0%	+ £0.4 billion
(iii) pension increases*:	+0.5% p.a.	+9.0%	+ £1.7 billion
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+4.0%	+ £0.8 billion

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

15.4 Analysis of movements in the pension liability

	Note	2021-22 £'000	2020-21 £'000
Pension liability at 1 April		17,646,449	15,747,308
Current service cost	5	623,464	524,179
Past service cost	5	-	-
Pension financing cost	9	222,113	284,845
Enhancements	6	1,019	804
Pension transfers in	7	5,411	3,208
Benefits payable	15.5	(379,709)	(367,908)
Pension payments to and on account of leavers	15.6	(4,181)	(4,737)
Actuarial loss /(gain)	15.7	1,271,434	1,458,750
Pension liability at 31 March		19,386,000	17,646,449

During the year ended 31 March 2022, employer contributions represented an average of 29.8% (2020-21: 29.8%) of pensionable pay.

15.5 Analysis of benefits paid

	2021-22 £'000	2020-21 £'000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	317,303	312,051
Commutations and lump sum benefits on retirement	62,406	55,857
Total benefits paid	379,709	367,908

15.6 Analysis of payments to and on account of leavers

	2021-22 £'000	2020-21 £'000
Refunds to members leaving service	1,473	1,294
Group transfers to other schemes	140	20
Individual transfers to other schemes	2,568	3,423
Total payments to and on account of leavers	4,181	4,737

15.7 Analysis of actuarial (loss)/gain

	2021-22 £'000	2020-21 £'000
Experience gain arising on the pension liability	70,527	(41,887)
Changes in financial assumptions underlying the present value of pension liability	(1,341,961)	(1,416,863)
Total actuarial (loss)/gain	(1,271,434)	(1,458,750)

15.8 History of experience gains/(losses)

	2021-22 £'000	2020-21 £'000	2019-20 £'000	2018-19 £'000	2017-18 £'000
Experience gains/(losses) on pension liability:					
Amount (£000)	70,527	(41,887)	233,771	140,000	350,000
Percentage of the present value of the pension liability	0.40%	(0.30%)	1.50%	1.10%	2.60%
Total amount recognised in Statement of Changes in Taxpayers' Equity:					
Amount (£000)	(1,271,434)	(1,458,750)	(1,954,883)	695,109	532,446
Percentage of the present value of the pension liability	(6.50%)	(8.30%)	(12.40%)	5.30%	4.00%

(Rounding adjustments have been made in prior year figures)

16. Receivables – Non-supply

	2021-22 £'000	2020-21 £'000
Recoverable annual compensation payments	420	256
Recoverable lump sums	26	24
	446	280

17. 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.

18. Contingent Liabilities disclosed under IAS 37***McCloud***

In December 2018, the Court of Appeal ruled that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, amounted to direct age discrimination and were therefore unlawful. In June 2019, the Supreme Court refused permission for any further appeal of that ruling and the judicial and firefighter cases in question were remitted to the Employment Tribunal to determine a remedy to members who suffered discrimination. In July 2019, the Westminster Government confirmed that, as transitional protection

was offered to members of all main public service pension schemes, the government intends to address the difference in treatment across all schemes.

The reformed public service schemes in Northern Ireland, including the NICS Pension Scheme, incorporate similar age-based transitional protections. The Department of Finance ran a consultation from 19 August 2020 to 18 November 2020 consulting on proposals to (i) remove discrimination in unfunded public service schemes made under the Public Service Pensions Act (Northern Ireland) 2014 for the future; and (ii) remedy the effect of any discrimination scheme members may have incurred since April 2015. The Department of Finance issued its consultation response on 25 February 2021. It proposed to proceed with the deferred choice underpin. This approach means all eligible members will receive a choice at the point of retirement whether to take legacy or reformed scheme benefits for the period between 1 April 2015 and 31 March 2022, known as the remedy period.

In July 2021 the Westminster Government introduced a Bill to legislate for this remedy. Legislative Consent Motions were subsequently proposed and agreed by the NI Assembly in November 2021 and January 2022 so that this overarching legislation ('the Public Service Pensions and Judicial Offices Act 2022') extends for the devolved schemes in Northern Ireland. Under the legislation, all members within each of the main public service pension schemes, including NICS Pension Scheme, moved into the 2015 schemes on 1 April 2022 irrespective of age. To remove the discriminatory effect of transitional protection eligible members will be offered a choice over the set of benefits (legacy scheme or 2015 scheme) they wish to receive for any pensionable service during the period 1 April 2015 to 31 March 2022. The Public Service Pensions and Judicial Offices Act 2022 received Royal Assent on 10 March 2022.

The Department of Finance is implementing the 2015 Remedy Programme (McCloud Judgment) for the NICS Pension Scheme in two phases, namely the "Prospective Remedy" and the "Retrospective Remedy". The Prospective Remedy involved moving all active members of the PCSPS(NI) (including partial retirees in active service) to alpha on 1 April 2022 and making consequential changes to the regulations, pursuant to the requirements of the Public Service Pensions and Judicial Offices Act 2022. The Department of Finance ran a consultation on phase one from 20 December 2021 to 25 February 2022, and the necessary legislative changes to give effect to the Prospective Remedy (The Public Service (Civil Servants and Others) Pensions (Amendment) (No. 2) Regulations (Northern Ireland) 2022) were made on 18 March 2022 and came into operation on 1 April 2022.

Phase two, the Retrospective Remedy, involves giving all eligible members the deferred choice underpin (DCU) which will be a choice at the point of retirement whether to take legacy or reformed scheme benefits for the period between 1 April 2015 and 31 March 2022. Provisions for the deferred choice underpin will be implemented by 1 October 2023 at the latest for all eligible members. Work is progressing on the legislative steps required to implement phase two of the remedy.

The actuarial liability as at 31 March 2022 includes provision for management's best estimate of the higher expected costs to implement the remedy under the latest proposals based on information currently available. The treatment of the deferred choice underpin as a member cost for cost cap purposes, along with the 4 year spreading period, are currently being challenged in some Public Service Pension schemes elsewhere in the United Kingdom through a Judicial review. A ruling against this remedy approach would have implications for the Northern Ireland Civil Service Scheme and could potentially result in higher costs of accrual from 1 April 2019. At this stage it is not possible to determine what the impact, if any, is of this ongoing judicial review on the Scheme.

GMP Equalisation

The High Court in England ruled on 26 October 2018 that all Guaranteed Minimum Pension (GMP) benefits in UK pension plans must be equalised for males and females. The outcome of this judgement will affect all UK defined benefit schemes, including public sector pension schemes such as the NICS Pension Scheme, which had been contracted out of the State pension arrangements resulting in members of the scheme having a GMP.

On 20 November 2020, the High Court in England ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. While this judgment addresses another unknown for schemes looking to implement GMP equalisation, it will also add to the work required to complete such exercises. The most pressing consideration is to understand the potential scale of any impact and to consider the implications.

For public service pension schemes, including NICS Pension Scheme, it is expected that this ruling will be taken forward on a cross-scheme basis and will need legal input. This may require revisiting past CETV cases for members with State Pension age after 5 April 2016 and who took a CETV from the scheme before CETV were equalised. The scope of any costs are yet to be determined.

Other legal cases

Walker v Innospec

In July 2017 judgement issued by the Supreme Court in the Walker v Innospec case found it to be unlawful to restrict the survivor's pension payable to a surviving civil partner or same sex spouse so that it reflects only the member's pensionable service since 5 December 2005 (the date on which the Civil Partnership Act 2004 came into force). Civil Service Pensions continue to liaise with Cabinet Office on the potential inequality created for heterosexual female married members with service pre-dating 1988. Cabinet Office have made significant progress around the principles and formulation of policy and procedures required to implement the Walker ruling and have been liaising with their lawyers, trade unions and Scheme Administrator throughout this process. Cabinet Office anticipate that, subject to Parliamentary timetabling, the legislative changes will be made later this calendar year. That being the case, Civil Service Pensions will then move to make the equivalent changes to the NICS Pension Schemes shortly thereafter.

Goodwin v Department for Education

In November 2019 a public sector pension scheme received a legal challenge regarding the provision of survivor benefits to a male spouse of a female member (Goodwin). In June 2020 the Westminster government accepted that there is direct sexual orientation discrimination where male survivors of opposite-sex marriages and civil partnerships are treated less favourably than survivors in same-sex marriages and civil partnerships. Consideration is now being given to the potential implications for other public service pension schemes.

The **Walker** and **Goodwin** amendments will be undertaken in tandem with the aim of resolving all gender inequalities.

Brewster v Northern Ireland Local Government Officers' Superannuation Committee

On 8 February 2017 the Supreme Court ruled in favour of Ms Brewster who was denied Local Government Pension Scheme (LGPS) benefits after her long-term partner died. Under the LGPS regulations that applied in Northern Ireland at the time of Ms Brewster's Partner's death, co-habiting partners, unlike those who were married or in a civil partnership, did not have automatic entitlement to a survivor's pension if a partner died. Instead, they were required to fill out a nomination form and also prove that they were co-habiting for two years before the form was sent in. The judgment declared that the requirement in the LGPS regulations that Ms Brewster and her partner should have made a nomination be dis-applied and that Ms Brewster is entitled to receive a survivor's pension under the scheme.

The Brewster judgment does not relate to historic schemes that do not offer survivor pensions for cohabiting couples (e.g. in civil service the pre 2002 classic arrangement). However, following the Brewster ruling, the Civil Service 2002 (premium), 2007 (nuvos) and 2015 (alpha) schemes no longer require the surviving partner and the deceased member to have jointly signed a declaration form and Civil Service Pensions Civil Service Pensions has amended the alpha pension Regulations to remove the requirement to nominate an unmarried partner in order for them to receive a pension which gives effect to the Supreme Court's decision, and Civil Service Pensions will be making similar amendments to the PCSPS(NI) 2002 and 2007 to reflect this.

Given the nature of these legal cases and current status of proceedings, it is not possible to quantify the potential financial impact on the NICS Pension Scheme at this time.

AVCs

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

19. Related-party transactions

The Pension Schemes and the Compensation and Injury Benefit Schemes fall within the ambit of the Department of Finance, 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.

20. Events after reporting period

There were no events that require amendment to these financial statements after the reporting period.

Date of authorisation for issue

The Accounting Officer authorised these financial statements for issue on 5 July 2022.