ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS
for the year ended 31 March 2017

Laid before the Northern Ireland Assembly under Schedule 1 of the Assembly Pensions (Northern Ireland) Order 1976 by the Comptroller & Auditor General for Northern Ireland

on

27 July 2018

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ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2016-17

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ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2016-17

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ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2016-17

TRUSTEE'S REPORT

INTRODUCTION

The Assembly Contributory Pension Fund was set up as from 10 November 1976 by the Assembly Pensions (Northern Ireland) Order 1976 ("the 1976 Order") to provide for the payment of pensions to ex-members of the Assembly in place at that time, who had attained 65 years of age and who had not less than 4 years reckonable service, and, subject to certain conditions to the widows, widowers and children of deceased members who were in receipt of pensions or had completed 4 years reckonable service at the time of death.

The qualifying period was subsequently reduced to 3 years for holders of qualifying offices only, by the Assembly Pensions (Amendment) (Northern Ireland) Order 1984.

The Scheme provides for an immediate pension, at the age of 65, of one-sixtieth of the relevant terminal salary for each year of service. An actuarially reduced pension may be paid to a former member any time after age 60. The Pensions (Increase) Act (Northern Ireland) 1971 made provision that the rate of pensions should be subject to periodic review and if necessary be increased by Order in Council. There was no annual pension increase applied for the year 2016/17.

The other main provisions of the Scheme are: -

i. a half-rate widow's/widower's pension;

ii. a children's pension (at the rate of the widow's pension for two or more eligible children, one half that rate for one child); and

iii. transfer of pension rights.

MANAGEMENT OF THE SCHEME

Article 3 (4) of the 1976 Order appointed the Secretary of State for Northern Ireland as the sole Trustee of the Fund until such time as the Assembly first appoints three or more Trustees under the Order.

FINANCIAL DEVELOPMENT OF THE SCHEME

As the scheme is closed to new members, the membership profile continues to age year on year. As at 31st March 2017 the age profile of the beneficiaries of the scheme was as detailed in the table below:

Age	**65-69**	**70-74**	**75-79**	**80-84**	**85-89**	**90-94**	**Total**
Members	2	1	2	1	4	1	11
Dependants	0	0	1	0	1	2	4

These accounts have been prepared and audited in accordance with regulations in Schedule 1 (12) and 1 (13) of the 1976 Order respectively.

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2016-17

ACTUARIAL STATUS OF THE SCHEME

The 1976 Order provides for the Government Actuary to make a report every three years on the general financial position of the Fund and to recommend the annual rate of the Northern Ireland Consolidated Fund contribution. The actuary's report on the position of the fund at 31st March 2016 is now overdue. Since 1st October 1989, no recommendation for a contribution has been made in the actuary reports.

In his latest report, which referred to the position at 31st March 2013, the Government Actuary reported a surplus of assets over liabilities of £2.208 million, representing around 430% of the value of the liabilities (£0.514 million), resulting in the Fund being in a strong position to cope with a future period of adverse investment experience. As the assets were sufficient at the valuation date to cover liabilities arising (including dependants' contingent benefits) in respect of pensions in payment and preserved benefits for members whose pensionable service has ceased, including pension increases, he recommended that no contribution should be made from the Northern Ireland Consolidated Fund for the time being. A Government Actuary report on the financial position of the Fund as at 31 March 2016 was required to comply with the 1976 Order. This was not obtained. The impact on the 2016-17 accounts is not likely to be material given the reported surplus of assets over liabilities and the previous recommendation of the actuary. An actuarial report will however be obtained for the 2017-18 accounts.

The valuation method used for the report, compared the market value of assets at the valuation date with the value of the liabilities discounted to that date, on a basis reflecting market yields. The financial assumptions were derived from the yields on gilts with a similar term to that of the liabilities, as shown on the Bank of England yield curve, (adjusted for CPI), and the mortality assumptions adopted were those used for the valuation of the Parliamentary Contributory Pension Fund as at 1st April 2014, which were based on 80% of the S1NA standard mortality tables for men and 85% for females.

The Government Actuary considered the investment portfolio in place at the valuation date to be reasonably appropriate in relation to the liabilities to be met from the Fund.

SCHEME MEMBERSHIP

As at 31st March 2017 the number of beneficiaries from the Fund was as follows:-

Category	No.
Deferred Pensioners	2
Retired Members	11
Dependants	4

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2016-17

INVESTMENT REPORT

The day to day management of the Fund's Investment portfolio is carried out by external investment managers at Danske Bank.[1] The portfolio is managed on the basis of the investment strategy set by the Department on behalf of the Trustee.

The Fund's investment strategy is to maximise optimum return on the investments without exposing the Fund to any undue risk, taking account of the following objectives, in priority order – Safety, Diversification, Liquidity, and Return on Investment.

Given the nature of the Fund's liabilities, as well as the long term duration of the liabilities, a conservative level of investment risk is acceptable. All investments should be undertaken with a view to preserving capital and to provide sufficient liquidity to enable the Fund to meet all of its current and future obligations as they become payable.

The diversification objective is designed to reduce exposure to risk by combining a variety of investments, such as money market securities, stocks, bonds, and commodities, which are unlikely to all move in the same direction. The goal of diversification is to reduce the risk or volatility in a portfolio. Volatility is limited by the fact that not all asset classes or industries or individual companies move up and down in value at the same time or at the same rate. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

The current strategy is to hold:

- 30 – 60% in Equities, Variable Income Investments and Alternative Investments
- 45 – 65% in Fixed Income Securities (Bonds)
- Up to 5% in cash

The actual allocations will vary from the above due to market price movements and intervals between rebalancing the portfolio. Actual allocations at the year end are shown below:

	2016/17 %	**2015/16 %**
Equities etc	47.0	53.0
Fixed Income Securities	51.0	45.0
Cash	2.0	2.0
	100.0	100.0

Although the Investment Managers held the view that interest rates were unlikely to rise in the near to medium future, they were sufficiently concerned by global events to reduce the

[1] On 1 November 2017 Danske Bank transferred its discretionary portfolio management to J&E Davy (UK) Limited (trading as Davy Private Clients UK).

exposure to the stock market during 2016/17 and move some investment into fixed interest securities. Initially this decision was taken in response to the EU Referendum result in June 2016 and the uncertainty involved for the UK and European economies, but also with a view to the pending election in the US, and numerous European elections in 2017. They have taken the view to remain neutral on the equity/ bond allocation having previously been overweight in equities given concerns about the global economic recovery in a low interest rate, low inflation environment. Equities has historically been a more volatile asset class. With UK interest rates being reduced to 0.25% in August 2016 the Investment Managers have kept an exposure to international debt stock through strategic and global bonds, corporate debt, high yield and emerging market debt. This ensures continued diversification and yield potential in the fixed income allocation.

The overweight position in cash at the year-end reflected a short term position rather than a strategic decision. Cash naturally builds up as a result of the portfolios receiving a yield in the form of dividends and interest. Periodically this will be reinvested.

After a volatile 2015/16 the portfolio has performed well during 2016/17 with growth over the previous 12 months of 17.22%. More importantly the portfolio has returned 8.98% on an annualised basis over a three year period. The larger capital value has naturally increased the income generated. The Investment Managers elected to invest the bulk of their exposure in the UK in FTSE 100 companies rather than smaller cap companies. This gave increased exposure to companies which are more global and less reliant on UK disposable income. UK equities have recovered well; companies that earn in US dollars and convert back to pound sterling have seen a 15 to 20 percent uplift from the weak pound and the commodity rebound also helped corporate profits and boosted their share price. In the fixed income allocation the combination of reasonable yields and the demand for high quality loan stock has resulted in a positive performance. The decision to invest outside the UK and in more corporate rather than sovereign debt than had been the case historically has also helped this element of the portfolio.

Further details on the categories of investments held are set out in the Net Assets Statement on page 15, with the underlying exposure of the Pooled Investment Vehicles to other asset classes shown at note 8.

CUSTODIAL ARRANGEMENTS

Danske Bank manages the portfolio on behalf of the Department of Finance and custodian services are provided by SEI Investments (Europe) Limited. Reports are produced by the bank quarterly to enable performance to be monitored.

On 1 November 2017 Danske Bank transferred its discretionary portfolio management service to J&E Davy (UK) Limited (trading as Davy Private Clients UK). There has been no disruption to service as the operating platform has remained the same and the customer relationship manager and investment team also moved to J&E Davy (UK) Limited as part of the transfer.

Custodial services continue to be provided by SEI Investments (Europe) Limited.

TRUSTEE TO THE FUND

12 JUNE 2018

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2016-17

Statement of Responsibilities of the Trustee and the Department of Finance

Under paragraph 12 of Schedule 1 to the Assembly Pensions (Northern Ireland) Order 1976, the Trustees of the Assembly Contributory Pension Fund are responsible for keeping proper accounts and preparing financial statements in respect of each financial year, in such form and manner as the Department of Finance may direct. The accounts are prepared on an accruals basis and must show a true and fair view of the state of affairs of the Assembly Contributory Pension Fund at the year end and of its net increase / (decrease) in the Fund for the financial year. Article 3 (4) of the 1976 Order appointed the Secretary of State for Northern Ireland as the sole Trustee of the Fund.

GOVERNANCE STATEMENT

Scope of responsibility

As sole Trustee, I have responsibility for maintaining a sound system of internal control in respect of the Assembly Contributory Pension Fund. This system of internal control supports the achievement of the policies, aims and objectives of the Fund, whilst safeguarding the Fund's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland.

The Fund is administered jointly by Civil Service Pensions (CSP) and Government Accounts Branch (GAB), which are both part of the Department of Finance (DoF) and I rely on the internal control framework within the Department and the views of the Departmental Accounting Officer in reaching my view on the adequacy of the system of internal control in relation to the Pension Fund.

The Pension Fund is managed within the DoF's overall risk and governance framework as set out in the DoF Annual Report and Accounts 2016-17, details of which can be found at DoF-annual-resource-accounts-2016-17

Risk and Control Framework

CSP is responsible for the overall management of the scheme arrangements and administration of the pension payments due under the scheme, while GAB is responsible for the other administrative functions such as the Investment Strategy, working with the fund managers and preparation of the annual accounts. The Head of each branch has overall responsibility on a day to day basis for risk management associated with these duties. Members of each team are responsible for ensuring that the tasks in their areas are compliant with operational policies and procedures and legislation. Significant risk issues are recorded in a risk register and are assessed by likelihood and impact. The risk register is reviewed on a regular basis.

Level of Assurance

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

During the 2015-16 year Internal Audit carried out a review of GAB. The purpose of the review was to provide the Accounting Officer, via divisional management, with an opinion on the adequacy and effectiveness of the system of internal control, established by management, to facilitate the achievement of business objectives. A **satisfactory** audit opinion was received.

Internal Audit also carried out a review of CSP in 2016. The purpose of the review was to provide an independent professional opinion on the adequacy and effectiveness of risk management, control and governance for a number of key areas within pensions administration

including pension calculations, payroll and accounting. The report concluded that overall there was a **satisfactory** system of governance, risk management and control. No significant issues were identified.

Internal Control Issues
No significant internal control issues, including data related issues, have been identified in 2016-17.

Conclusion
Taking into account the arrangements set out in the governance statement, there are appropriate governance structures and systems of internal control in place which have operated effectively during 2016-17.

TRUSTEE TO THE FUND

12 JUNE 2018

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2016-17

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

Opinion on financial statements

I certify that I have audited the financial statements of the Assembly Contributory Pensions Fund for the year ended 31 March 2017 under Schedule 1 of the Assembly Pensions (Northern Ireland) Order 1976. The financial statements comprise: the Fund Account, Net Assets Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

In my opinion the financial statements:

- give a true and fair view of the state of the Assembly Contributory Pension Fund's affairs as at 31 March 2017 and of the net increase in the Assembly Contributory Pension Fund during the year and of the amount and disposition at that date of its assets and liabilities other than liabilities to pay benefits after the scheme year end; and
- have been properly prepared in accordance with paragraph 12 of Schedule 1 to the Assembly Pensions (Northern Ireland) Order 1976 and the Department of Finance directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Assembly Contributory Pension Fund in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, 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.

Other Information

The Trustee of the Assembly Contributory Pension Fund is responsible for the other information included in the Trustee's Report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, 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, 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 the information given in the Trustee's Report and Investment Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Trustee and the Department of Finance for the financial statements

As explained more fully in the Statement of Responsibilities of the Trustee and the Department of Finance, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 Assembly Pensions (Northern Ireland) Order 1976.

I am required to obtain evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

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 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.

Statement about Contributions Payable

I note that in accordance with the recommendations of the Government Actuary, no contributions were received from the Consolidated Fund during the year ended 31 March 2017.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

5 July 2018

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2016-17

FUND ACCOUNT FOR THE YEAR ENDING 31 MARCH 2017

	Notes	2016/17 £	2015/16 £
Benefits and Expenses Payable			
Members		12,818	15,051
Dependants		5,244	5,243
Administrative Expenses	4	9,223	9,049
Net withdrawals from dealings with members		27,285	29,343
Returns on Investments			
Investment Income	5	136,401	114,951
Change in market value of investments	6	391,769	(143,587)
Investment management expenses		(19,828)	(17,728)
Net Returns on Investments		508,342	(46,364)
Net Increase / (Decrease) in the Fund During the Year		**481,057**	**(75,707)**
Net Assets of the Fund			
At 1 April 2016		3,064,625	3,140,332
At 31 March 2017		**3,545,682**	**3,064,625**

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2016-17

NET ASSETS STATEMENT

	Notes	31 March 2017 £	31 March 2016 £
Investment Assets			
Equities	8	658,820	601,736
Pooled Investment Vehicles	8	2,815,964	2,421,400
Total Value of Investments		3,474,784	3,023,136
Current Assets	7	86,496	57,692
Current Liabilities	7	(15,598)	(16,203)
Net Assets of the Fund		**3,545,682**	**3,064,625**

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the triennial actuarial reports prepared by the Government Actuary. The results of the latest report are summarised in the Trustee's Report that accompanies these accounts.

Trustee to the Fund

12 JUNE 2018

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2016-17

NOTES TO THE ACCOUNTS

1. Basis of Preparation

The accounts have been prepared in accordance with the Accounts Direction issued by the Department of Finance under Schedule 1 (12) of the 1976 Order, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised November 2014) (SORP) insofar as they apply to this pension scheme, and apart from the departure from the recommendations set out in note 2.

2. Departure from the recommendations of the SORP

The revised SORP recommended a number of additional disclosures on investment risk. These accounts have been prepared in accordance with these requirements apart from the full adoption of the look through approach to evaluating indirect currency risk of pooled investment vehicles recommended by the SORP. Given the particular circumstances of the scheme, it is not considered that the additional costs of preparing this information would bring significant additional value to the users of the accounts.

3. Accounting Policies

a. The accounts record the net increase / (decrease) of the Fund during the year ended 31st March 2017 and give details of the net assets at that date. They do not show the long-term liabilities for pensions which could arise in the future. The long-term financial position is the subject of a three-yearly report by the Government Actuary.

b. The accounts have been prepared using the historical cost convention, with investments stated at fair value at 31st March. The market value of Stock Exchange securities is based on the middle market quotation on the relevant Stock Exchange at the year end. The Sterling equivalent of the market value of any overseas investments is calculated on the basis of the exchange rates prevailing at the year end.

c. Interest on any cash temporarily invested in the Northern Ireland Consolidated Fund, together with interest earned on government stocks, bonds, debentures and loan stock is accounted for on an accruals basis and is shown under the Net Assets as interest accrued. Dividends from other investments are accounted for when the securities are quoted ex-dividend. Any refunds of overseas tax are accounted for when received.

d. Gains and losses on investments are accounted for in the year in which they are realised.

NOTES TO THE ACCOUNTS (CONTINUED)

		2016/17 £	2015/16 £
4.	**Administrative Expenses**		
	General expenses	5,223	5,049
	Audit fee	3,500	3,500
	Government Actuary's Fee	500	500
	Total Administrative Expenses	**9,223**	**9,049**
5.	**Investment Income**		
	Dividends from Equities	32,572	26,555
	Income from Pooled Investment Vehicles	103,814	88,354
	Interest on cash deposits	15	42
	Total Investment Income	**136,401**	**114,951**
6.	**Change In Market Value of Investments**		
	Net profit on sale of investments	86,854	37,604
	Net appreciation / (depreciation) of investments	304,915	(181,191)
	Total Change in Market Value	**391,769**	**(143,587)**
7.	**Current Assets and Liabilities**		
	Current Assets		
	Accrued Income	6,551	4,308
	Cash at Bank	79,945	53,384
	Total Current Assets	**86,496**	**57,692**
	Current Liabilities		
	Audit Fee	3,500	3,500
	Administration Expenses	5,223	5,049
	Custody Fee	5,292	4,468
	Government Actuary's Fee	1,500	1,000
	Pensions Payable	42	2,186
	Purchases Accrual	41	-
	Total Current Liabilities	**15,598**	**16,203**

NOTES TO THE ACCOUNTS (CONTINUED)

8. Investments

	Value at 1 April 2016 £	Purchases at Cost £	Sales Proceeds £	Change in Market Value £	Value at 31 March 2017 £
Equities	601,736	156,145	(194,758)	95,697	658,820
Pooled Investment Vehicles	2,421,400	447,501	(349,009)	296,072	2,815,964
	3,023,136	**603,646**	**(543,767)**	**391,769**	**3,474,784**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year amounted to £2,653 (2015/16: £679). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

Further analysis of Equity investments and the exposure of Pooled Investment Vehicles to other asset classes is shown below:

	2016/17 £	2015/16 £
Equities		
UK quoted	658,820	601,736
Overseas quoted	-	-
Total	**658,820**	**601,736**

NOTES TO THE ACCOUNTS (CONTINUED)

8. Investments (continued)

Pooled Investment Vehicles	2016/17 £	2015/16 £
Unit Trusts – Overseas Equities	253,137	250,816
Investment Trust – Overseas Equities	247,654	153,921
Exchange Traded Funds – Overseas Equities	130,509	281,192
Open Ended Investment Companies – Overseas Equities	368,062	351,900
Total Pooled Investment Vehicles – Equities	***999,362***	***1,037,829***
Open Ended Investment Companies – UK Bonds	1,316,526	990,894
Open Ended Investment Companies – Overseas Bonds	342,493	258,471
Exchange Traded Funds – Overseas Bonds	157,583	134,206
Total Pooled Investment Vehicles – Bonds	***1,816,602***	***1,383,571***
Total Pooled Investment Vehicles	**2,815,964**	**2,421,400**

Apart from the funds included in Exchange Traded Funds – Overseas Equities and in Exchange Traded Funds – Overseas Bonds all other funds and trusts are registered in the United Kingdom.

9. Fair value determination

FRS 102 and the SORP require disclosure of how the fair value of financial instruments has been estimated using the following fair value hierarchy:

Category (a) The quoted price for an identical asset in an active market at the reporting date.

Category (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset adjusted if necessary.

Category (c) Where a quoted price is not available and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is determined by using a valuation technique that uses:

c (i) observable market data; or

c (ii) non-observable data.

NOTES TO THE ACCOUNTS (CONTINUED)

The Scheme's investment assets have been fair valued using the above hierarchy categories as follows:

As at 31 March 2017	Category (a)	Category (b)	Category (c(i))	Category (c(ii))	Total
	£	£	£	£	£
Equities	658,820	-	-	-	658,820
Pooled Investment Vehicles	535,746	2,280,218	-	-	2,815,964
Total	**1,194,566**	**2,280,218**	**-**	**-**	**3,474,784**

As at 31 March 2016	Category (a)	Category (b)	Category (c(i))	Category (c(ii))	Total
	£	£	£	£	£
Equities	601,736	-	-	-	601,736
Pooled Investment Vehicles	569,319	1,852,081	-	-	2,421,400
Total	**1,171,055**	**1,852,081**	**-**	**-**	**3,023,136**

10. Investment Risks

FRS 102 and the SORP require the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. Overall the Scheme has a conservative attitude to risk and seeks to reduce its exposure through portfolio diversification. These investment objectives, including the approach to risk, are implemented by the

NOTES TO THE ACCOUNTS (CONTINUED)

Scheme's investment managers in their day to day running of the fund and monitored by the department through regular review of the portfolio.

In order to achieve diversification the investment managers have invested in various pooled investment vehicles, which are a cost effective way for small schemes to get wider exposure to asset classes, markets and industry. The Scheme will have indirect exposure to the risks associated with the underlying investment of the particular vehicle.

An analysis of pooled investment vehicles by underlying investment and type of arrangement can be found at note 8.

Further details on how the Scheme is exposed to credit and market risk and how this is managed is set out below.

Credit risk

The Scheme is exposed to direct credit risk because it has cash balances and holds pooled investment vehicles. The scheme is also indirectly exposed to the credit risks arising on the underlying bond investments held within the pooled investment vehicles.

Credit risk in relation to cash is mitigated by holding the funds within financial institutions which are at least investment grade rated or within the Northern Ireland Consolidated Fund.

Direct credit risk from pooled investment vehicles is mitigated by the underlying assets being ring fenced from the pool manager, the regulatory environment in which the pool managers operate and diversification of investments among a number of pooled arrangements.

Indirect credit risk arising due to the underlying investments in bonds held by the pooled investment vehicles is mitigated by diversifying the portfolio across a range of funds whose investments will include government bonds, where the credit risk is minimal, and investment grade corporate bonds.

Currency risk

The Scheme has no direct currency risk as all investments are priced in GBP. However, the Scheme is indirectly exposed to currency risk through overseas investments held within pooled investment vehicles. The Scheme holds a number of global funds and the Scheme's investment managers have advised that these funds primarily hold investments denominated in a mix of Sterling, US Dollar or Euro. There is also some limited exposure to other currencies. This investment in a range of overseas markets and industries is part of the wider diversification strategy.

Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds through pooled vehicles and cash. The benchmark for total investment in bonds is set at around 55%. Typically investments of this type are held as part of an investment strategy as they will move in line with the long term liabilities of a scheme. For example if interest rates fall the value of the investment will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate.

NOTES TO THE ACCOUNTS (CONTINUED)

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes directly held equities and equities held in pooled vehicles.
The scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

11. Related Party Transactions

The Secretary of State for Northern Ireland is the sole Trustee of the Fund and is a related party. The Department of Finance who manage the Fund and Danske Bank Private Banking and Wealth Management, who provide investment management services to the Department are also regarded as related parties. During the year the Fund has had material transactions with the Department and Danske Bank Private Banking and Wealth Management.

Other than the related party transactions disclosed above the Trustee, key management staff and other related parties have not undertaken any material transactions with the Fund during the year.