Assembly Contributory Pension Fund
Annual Report and Accounts
For the year ended 31 March 2022

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

on

26 July 2023

© Crown copyright 2023

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence visit www.nationalarchives.gov.uk/doc/open-government-licence/version/3/

Where we have identified any third party copyright information, you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this document should be sent to us at GovernmentAccounts@Finance-ni.gov.uk

You can download this publication from our website at https://www.finance-ni.gov.uk/publications

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2021-22

SCHEME ADVISERS

Actuary

Government Actuary's Department
Finlaison House
15-17 Furnival Street
London
EC4A 1AB

Auditors

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

Investment Managers

J&E Davy (UK) Ltd (trading as Davy Private Clients UK)
Donegall House
Donegall Square North
Belfast
BT1 5GB

Legal Advisor

Departmental Solicitor's Office
Department of Finance
Victoria Hall
12 May Street
Belfast
BT1 4NL

Administrator (Pensions)

Civil Service Pensions Branch
Department of Finance
Waterside House
75 Duke Street
Londonderry
BT47 6FP

SCHEME ADVISERS (continued)

Administrator (Other)

Government Accounts Branch
Department of Finance
Clare House
303 Airport Road West
Belfast
BT3 9ED

Custodian need to update to change post year-end

SEI Investments (Europe) Ltd *(until 24 June 2022)*
1st Floor
Alphabeta
14-18 Finsbury Square
London
EC2A 1BR

J&E Davy *(from 24 June 2022)*
Donegall House
Donegall Square North
Belfast
BT1 5GB

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2021-22

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. Under the Pensions Increase (Review) Order (Northern Ireland) 2021 an increase of 0.5% was applied to pensions from 12 April 2022.

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 31 March 2022 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	1	2	1	2	0	2	8
Dependants	0	0	0	2	1	1	4

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

TRUSTEE'S REPORT (continued)

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. As a result of these previous reports and recommendations no contribution has been required since December 1989.

In her latest report, which referred to the position at 31 March 2019, the Government Actuary reported a surplus of assets over liabilities of £3.268 million, representing around 823% of the value of the liabilities (£0.397 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, she recommended that no contribution should be made from the Northern Ireland Consolidated Fund for the time being.

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 real investment yield is the excess of the gross return achieved on investments over the rate of increase in the Consumer Price Index (CPI). The gross rate of return for the 2019 valuation was based on the gross yield in a typical fixed-interest gilt portfolio of similar term to the liabilities. A discount rate of -0.94% in excess of CPI inflation was used for the purposes of the valuation. As the number of members is too small to provide sufficient data for a reliable assessment of mortality rates based on the schemes own experience, the assumptions needed for the valuation have been based on those adopted for the 2017 valuation of the Parliamentary Contributory Pension Fund (PCPF) but re-expressed in terms of the S3 series of standard tables since published by the Actuarial Profession. For male members and widowers and other partners of female members this was 85% of S3NMA, for female members 85% of S3NMA (middle) and for widows and other partners of male members 100% of S3NFA (middle). In addition, the future mortality improvements assumed are based on the latest ONS 2018-based population projections for the UK, rather than the 2016 projects used in the PCPF valuation.

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 31 March 2022 the number of beneficiaries from the Fund was as follows:-

Category	No.
Deferred Pensioners	1
Retired Members	8
Dependants	4

This year the scheme lost 2 members.

TRUSTEE'S REPORT (continued)

INVESTMENT REPORT

The day to day management of the Fund's Investment portfolio is carried out by external investment managers at J&E Davy (UK) Limited (trading as Davy Private Clients UK). The portfolio is managed on the basis of the investment strategy set by the Department on behalf of the Trustee. The investment strategy was under review during this period, although no changes were implemented until after the year end. The following sections reflect the strategy in place during the accounting period.

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 deemed 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 (which include property funds, commodity funds and absolute return funds)
- 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:

	2021/22 %	**2020/21 %**
Equities etc.	50	47
Fixed Income Securities	47	51
Cash	3	2
	100	100

TRUSTEE'S REPORT (continued)

INVESTMENT REPORT (continued)

Year on year the table appears to show a further shift from fixed income securities into equities. However, due to the ongoing review of the portfolio and investment strategy there was no change to allocations across the asset classes during the year and the changes in % holdings are solely due to the movements in market values.

Total investment income fell by £1,420 (2%) from the previous year. Income from direct equity investments fell by £4,090 (13%). As noted in last year's report, the 2020-21 figure was bolstered by a special dividend from Tesco. If the impact of the special dividend is removed, income from direct equity investments grew, driven by the return to dividend payments by UK financials, following their suspension at the start of the pandemic. Income from pooled investment vehicles increased slightly by £2,658 (4%), but has not returned to the levels of previous years, mainly as the low interest rates as a result of the pandemic continued to impact on fixed income yields, particularly in government bonds, where we had significant weighting. Returns were also impacted by the move of some investments from income to accumulation funds at the end of the 2019-20. Income from underlying investments in overseas equities remained steady.

The value of the fund increased by £97,828 from £3,880,049 to £3,977,877 during the period. While the increase is small, it is still a positive outcome given the turmoil in the markets in quarter 1 of 2022 as a result of multiple geopolitical headwinds. Concerns about higher inflation and rising interest rates took their toll on stock markets, while ongoing uncertainty surrounding the Covid-19 pandemic continued took its toll on productivity and supply chains. This was particularly true in Asia, where China continued to pursue a zero-Covid strategy in an attempt to curtail infection rates. This, in turn, stalled the Asian export market, adding further strain to the global supply chain and stoking inflationary forces that had arisen last year. In February, Russia's invasion of Ukraine rattled markets further and prompted a significant response from the international community in the form of sanctions. With Russia being a major energy producer, uncertainty over supplies caused oil and gas prices to rise further. With inflation continuing to sit at high levels, many central banks took action by raising interest rates, including the Bank of England and the US Federal Reserve. Given the concerns about inflation, rising interest rates and the outbreak of war in Eastern Europe, most major stock markets generated negative returns over the quarter. Despite the economic backdrop, UK stock markets performed relatively well across the quarter and bucked trends by ending March in positive territory. Energy companies were among the top performers over the period, as demand for oil outpaced supply. Traditionally defensive stocks within the financial sector (banks, insurers, brokers) and healthcare were also positive contributors. As a result, our direct UK equity holdings performed well growing by approx. £87,000 over the period. Other indirect UK equities rose slightly (£4,000). While overseas markets fell in during Q1 of 2022 they had surged ahead during 2021, primarily bolstered by US Market and still grew by around £86,000 in the year. Fixed income had remained steady during 2021, but with the spike in inflation rattling bond investors into seeking higher yields, prices were driven lower at the year end. Fixed income ended the year £111,000 lower than the previous year. Cash holdings increased as activity was stalled as part of the ongoing portfolio review, up £31,000 from 2020-21. Overall returns (capital growth, dividends and interest) grew by 2.89% in the period.

Further details on the categories of investments held are set out in the Net Assets Statement on page 16, with the underlying exposure of the Pooled Investment Vehicles to other asset classes shown at note 8.

TRUSTEE'S REPORT (continued)

CUSTODIAL ARRANGEMENTS

J&E Davy (UK) Limited (trading as Davy Private Clients UK) manage the portfolio on behalf of the Department of Finance. Reports are produced on a quarterly basis to enable performance to be monitored. On 24 June 2022 responsibility for custodial services was transferred to J&E Davy.

SUBSEQUENT EVENTS AFTER THE YEAR END

During 2021 Davy Group announced three agreements that would see Davy Group businesses being acquired by long-term strategic owners. Under the agreements the Wealth Management business, of which Davy UK is part, and the Capital Markets business are to be acquired by Bank of Ireland. Bank of Ireland has chosen to retain the Davy brand and structure, and the Davy UK team, with whom we currently deal, will not change. The sale received clearance from the Competition and Consumer Protection Authority on 6 December 2021. The transaction was finalised on 1 June 2022. The change in ownership is expected to have little to no impact on the management of the Fund.

As noted above, our portfolio of assets previously held by SEI Investments (Europe) Limited was transferred on an 'in specie' basis to J&E Davy on 24 June 2022.

As stated in the report, there were limited changes to the investments held during the 2021-22 reporting period due to the ongoing review of the fund with the investment managers. This review was subsequently completed after the year end. As a result, while there has been minimal change to the overall strategy, changes have been made to the holdings within the portfolio. The changes will ensure that objectives are met over the long-term whilst ensuring the investments are managed in line with the balanced risk profile. Exposure to direct stocks has been reduced with funds being reinvested in collective investment funds. This should reduce stock specific risk and provide additional diversification benefits. In addition, given the increased focus on ethical investments and the need to ensure that the underlying investments within the pooled funds aligned with government policy, the new collective funds will have a socially responsible investment overlay. The transactions to bring these changes into effect took place during September and October 2022.

TRUSTEE TO THE FUND

19 July 2023

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2021-22

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 income and expenditure 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.

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2021-22

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 2021-22, details of which can be found at https://www.finance-ni.gov.uk/publications/dof-resource-accounts

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.

As a result of the COVID-19 pandemic, both GAB and CSP formally invoked business continuity arrangements in March 2020. CSP Branch is fully functioning to administer the scheme and only require a limited number of essential staff operating within the office environment. The GAB team has been working remotely but have access to all platforms and there have been no changes to authorisation processes etc. The Davy team, as designated key workers, has also continued to operate during the pandemic. As a result the management and operation of the fund has not been adversely impacted during this period and pension payments have continued to be delivered. With the introduction of the Hybrid Working policy across the NICS, a number of these arrangements will become normal practice.

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

GOVERNANCE STATEMENT (continued)

comments made by external auditors in their report to those charged with governance and other reports.

The last Internal Audit review of GAB was carried out in 2016. 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. A further review was due in late 2020 but, due to the impact of Covid-19 and other work pressures, this has been delayed.

Internal Audit also carried out a review of CSP in 2018. 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. While the overall audit opinion was **limited**, none of the issues or recommendations were related to the administration of the Assembly Contributory Pension Fund. CSP has confirmed that all previous measures and controls remain in place for the administration and payment of these pensions. All recommendations made in the August 2018 Internal Audit report have also been addressed.

Internal Control Issues

No significant internal control issues, including data related issues, have been identified in 2021-22. The activation of business continuity arrangements, such as the use of electronic sign off and ensuring all supporting documentation is held electronically, ensured that the internal controls were not adversely affected by COVID-19.

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 2021-22.

TRUSTEE TO THE FUND

19 July 2023

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2021-22

Assembly Contributory Pension Fund 2021-22

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 Pension Fund for the year ended 31 March 2022 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 including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Statement of Recommended Practice, Financial Reports of Pension schemes.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 the net increase in the scheme 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 the paragraph 12 of Schedule 1 to the Assembly Pensions (Northern Ireland) Order 1976 and Department of Finance (DOF) 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 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 the Assembly Contributory Pension Fund 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 the Assembly Contributory Pension Fund'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 Assembly Contributory Pension Fund'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.

The going concern basis of accounting for the Assembly Contributory Pension Fund is adopted in consideration of the requirements set out in the Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

My responsibilities and the responsibilities of the Trustee 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, the parts of the Trustee's Report described in that report as having been audited, and my audit certificate and report. The Trustee and the Accounting Officer are responsible for the other information included in the annual report. 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 Trustee's 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 Assembly Contributory Pension Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Trustee's Report and Governance Statement.

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

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

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 Trustees are 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 of error; and
- assessing the Assembly Contributory Pension Fund'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 the Assembly Contributory Pension Fund 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 Assembly Pensions (Northern Ireland) order 1976.

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 regulations, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Assembly Contributory Pension Fund through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Assembly Pensions (Northern Ireland) Order 1976;
- making enquires of management and those charged with governance on the Assembly Contributory Pension Fund'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 the Assembly Contributory Pension Fund'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 did not identify any areas with high potential for fraud.
- 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;
- 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 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.

Dorinnia Carville
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU

25 July 2023

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2021-22

FUND ACCOUNT FOR THE YEAR ENDING 31 MARCH 2022

	Notes	2021/22 £	2020/21 £
Benefits and Expenses Payable			
Members		10,322	10,550
Dependants		2,814	3,948
Administrative Expenses	4	13,192	13,180
Net withdrawals from dealings with members		26,328	27,678
Returns on Investments			
Investment Income	5	93,351	94,771
Change in market value of investments	6	66,958	396,498
Investment management expenses		(36,153)	(28,106)
Net Returns on Investments		124,156	463,163
Net Increase in the Fund During the Year		**97,828**	**435,485**
Net Assets of the Fund			
At 1 April 2021		3,880,049	3,444,564
At 31 March 2022		**3,977,877**	**3,880,049**

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2021-22

NET ASSETS STATEMENT

	Notes	31 March 2022 £	31 March 2021 £
Investment Assets			
Equities	8	784,434	697,084
Pooled Investment Vehicles	8	3,094,622	3,115,014
Total Value of Investments		3,879,056	3,812,098
Current Assets	7	126,212	93,726
Current Liabilities	7	(27,391)	(25,775)
Net Assets of the Fund		**3,977,877**	**3,880,049**

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

19 July 2023

ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2021-22

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 July 2018) (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 income and expenditure of the Fund during the year ended 31 March 2022 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 31 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)

		2021/22 £	2020/21 £
4.	**Administrative Expenses**		
	General expenses	9,192	9,180
	Audit fee	3,500	3,500
	Government Actuary's Fee	500	500
	Total Administrative Expenses	**13,192**	**13,180**
5.	**Investment Income**		
	Dividends from Equities	26,726	30,816
	Income from Pooled Investment Vehicles	66,613	63,955
	Interest on cash deposits	12	-
	Total Investment Income	**93,351**	**94,771**
6.	**Change In Market Value of Investments**		
	Net profit on sale of investments	-	815
	Net appreciation of investments	66,958	395,683
	Total Change in Market Value	**66,958**	**396,498**
7.	**Current Assets and Liabilities**		
	Current Assets		
	Accrued Income	4,317	3,066
	Cash at Bank	121,895	90,660
	Total Current Assets	**126,212**	**93,726**
	Current Liabilities		
	Audit Fee	3,500	3,500
	Administration Expenses	9,192	9,180
	Custody Fee	9,037	8,719
	Government Actuary's Fee	4,000	3,500
	Pensions Payable	1,662	876
	Total Current Liabilities	**27,391**	**25,775**

NOTES TO THE ACCOUNTS (continued)

8. Investments

	Value at 1 April 2021 £	Purchases at Cost £	Sales Proceeds £	Change in Market Value £	Value at 31 March 2022 £
Equities	697,084	-	-	87,350	784,434
Pooled Investment Vehicles	3,115,014	-	-	(20,392)	3,094,622
	3,812,098	**-**	**-**	**66,958**	**3,879,056**

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. As noted in the investment report on page 6, there were no changes to holdings during the year due to the ongoing review of the portfolio and investment strategy.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year amounted to nil (2020/21: £418). 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. As reported on page 15 investment manager expenses were £36,153 (2020/21: £28,106).

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

Equities	**2021/22 £**	**2020/21 £**
UK quoted	784,434	697,084
Overseas quoted	-	-
Total	**784,434**	**697,084**

NOTES TO THE ACCOUNTS (continued)

8. Investments (continued)

Pooled Investment Vehicles	2021/22 £	2020/21 £
Unit Trusts – Overseas Equities	542,477	503,723
Investment Trust – Overseas Equities	243,569	224,261
Investment Trust – UK Equities	56,748	52,604
Exchange Traded Funds – Overseas Equities	100,257	102,416
Open Ended Investment Companies – Overseas Equities	278,616	247,745
Total Pooled Investment Vehicles – Equities	***1,221,668***	***1,130,749***
Unit Trusts – Overseas Bonds	130,813	137,158
Open Ended Investment Companies – UK Bonds	644,086	694,645
Open Ended Investment Companies – Overseas Bonds	971,102	1,016,239
Exchange Traded Funds – Overseas Bonds	126,953	136,223
Total Pooled Investment Vehicles – Bonds	***1,872,954***	***1,984,265***
Total Pooled Investment Vehicles	**3,094,622**	**3,115,014**

NOTES TO THE ACCOUNTS (continued)

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:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

As at 31 March 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Equities	784,434	-	-	784,434
Pooled Investment Vehicles	527,527	2,567,095	-	3,094,622
Total	**1,311,961**	**2,567,095**	**-**	**3,879,056**

As at 31 March 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Equities	697,084	-	-	697,084
Pooled Investment Vehicles	515,504	2,599,510	-	3,115,014
Total	**1,212,588**	**2,599,510**	**-**	**3,812,098**

NOTES TO THE ACCOUNTS (continued)

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 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.

NOTES TO THE ACCOUNTS (continued)

10. Investment Risks (continued)

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.

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.

Liquidity Risk

In addition to the risk disclosures required by FRS 102 and the SORP, the Scheme is exposed to liquidity risk. Liquidity risk is the risk that immediate cash needs cannot be met due to an inability to convert current assets (such as investments) into cash by selling at market value. This may be due to a lack of buyers or an inefficient market that cannot match buyers with sellers, resulting in capital losses.

A conservative level of risk is deemed acceptable but to manage this exposure to liquidity risk all investments are untaken with a view to preserving capital and to providing sufficient liquidity to enable the Scheme to meet all of its current and future obligations as they become payable.

NOTES TO THE ACCOUNTS (continued)

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 J&E Davy (UK) Limited, who provide investment management services to the Department during the year, are also regarded as related parties. During the year the Fund has had material transactions with the Department and subsequently J&E Davy UK Limited

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.

12. Events after the Reporting Period

There were no events after the reporting date which require adjustment to the financial statements or disclosure within them other than as set out in the Trustee's report at page 7.

Date of authorisation for issue

The Accounts were authorised for issue on 25 July 2023.