Members 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 2 of the Ministerial Salaries and Members Pension Act (Northern Ireland) 1965

on

26 July 2023

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MEMBERS' CONTRIBUTORY PENSION FUND ACCOUNTS 2021-22

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MEMBERS' CONTRIBUTORY PENSION FUND ACCOUNTS 2021-22

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MEMBERS' CONTRIBUTORY PENSION FUND ACCOUNTS 2021-22

TRUSTEE'S REPORT

INTRODUCTION

The Members' Contributory Pension Fund was set up as from 1 April 1965 by the Ministerial Salaries and Members' Pensions Act (Northern Ireland) 1965 ("the 1965 Act") to provide for the payment of pensions to ex-Members of the House of Commons who had attained 65 years of age and who had not less than 10 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 10 years reckonable service at the time of death.

Subsequently the Members' Pensions (Northern Ireland) Order 1976 revised the qualifying period from 10 to 4 years.

The Scheme provides for an immediate pension, at the age of 65 based on reckonable service up to a maximum not exceeding 45 years. In accordance with the Members' Pensions (Northern Ireland) Order 1976, an actuarially reduced pension may be paid to a former member from the age of 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 2021.

The other main provisions of the Scheme are: -

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

ii. a children's pension of one-eighth of the pension for each child up to a maximum of 4 children.

MANAGEMENT OF THE SCHEME

The 1965 Act made provision for the appointment of Trustees, not exceeding five in number, from Members of the House of Commons. However with the introduction of direct rule the Northern Ireland Constitution Act 1973 appointed the Secretary of State as the sole Trustee.

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**	**75-79**	**90-94**	**Total**
Members	0	0	0	**0**
Dependants	1	1	2	**4**

These accounts have been prepared and audited in accordance with regulations in Schedule 2 (12) and 2 (13) of the 1965 Act respectively.

TRUSTEE'S REPORT (continued)

ACTUARIAL STATUS OF THE SCHEME

The 1976 Order requires 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 October 1990.

In her latest report, which referred to the position at 31 March 2020, the Government Actuary reported a surplus of assets over liabilities of £2.677 million, representing around 988% of the value of the liabilities (£0.271million), 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 in respect of pensions in payment and dependants' contingent benefits, 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 2020 valuation was based on the gross yield in a typical fixed-interest gilt portfolio of similar term to the liabilities. A discount rate of -1.58% in excess of CPI inflation was used for the purposes of the valuation. As the number of beneficiaries 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 widows and other partners of male members, (the only remaining beneficiaries), this was 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.
Retired Members	0
Dependants	4

This year the fund has lost 1 dependant.

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 broadly:

- 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 £1,882 (2%) from the previous year. Income from direct equity investments fell by £4,153 (15%). 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 £2,261 (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 £82,173 from £3,318,656 to £3,400,829 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. £75,000 over the period. Other indirect UK equities rose slightly (£3,000). 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 £74,000 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 £95,000 lower than the previous year. Cash holdings increased as activity was stalled as part of the ongoing portfolio review, up £25,107 from 2020-21. Overall returns (capital growth, dividends and interest) grew by 2.87% in the period.

TRUSTEE'S REPORT (continued)

INVESTMENT REPORT (continued)

Further details on the categories of investments held are set out in the Net Assets Statement on page 17, with the underlying exposure of the Pooled Investment Vehicles to other asset classes shown at note 8.

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. Custodial services during the period were provided by SEI Investments (Europe) Limited. 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

MEMBERS' CONTRIBUTORY PENSION FUND ACCOUNTS 2021-22

Statement of Responsibilities of the Trustee and the Department of Finance

Under paragraph 12 of Schedule 2 to the Ministerial Salaries and Members' Pensions Act (Northern Ireland) 1965, the Trustees of the Members' 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 Comptroller and Auditor General 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 Members' Contributory Pension Fund at the year end, and of the income and expenditure for the financial year. Section 3 (3) of the 1965 Act directed that Trustees shall be appointed but the Northern Ireland Constitution Act 1973 appointed the Secretary of State for Northern Ireland as the sole Trustee of the Fund.

MEMBERS' 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 Members' 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 Members' 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 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

MEMBERS' CONTRIBUTORY PENSION FUND ACCOUNTS 2021-22

Members' 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 Members' Contributory Pension Fund for the year ended 31 March 2022 under Schedule 2 of the Ministerial Salaries and Members' Pensions Act (Northern Ireland) 1965. 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 2 to the Ministerial Salaries and Members' Pensions Act (Northern Ireland) 1965 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 Members' 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 Members' 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 Members'

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 Members' 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 Members' 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 Members' 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 Member's 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 Ministerial Salaries and Members' Pensions Act (Northern Ireland) 1965.

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 Members' Contributory Pension Fund through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Ministerial Salaries and Members' Pensions Act (Northern Ireland) 1965;
- making enquires of management and those charged with governance on the Members' 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 Members' 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

MEMBERS' 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		-	-
Dependants		10,001	10,957
Administrative Expenses	4	13,192	13,180
Net withdrawals from dealings with members		23,193	24,137
Returns on Investments			
Investment Income	5	79,543	81,425
Change in market value of investments	6	56,774	337,641
Investment management expenses		(30,951)	(24,075)
Net Returns on Investments		105,366	394,991
Net Increase in the Fund During the Year		**82,173**	**370,854**
Net Assets of the Fund			
At 1 April 2021		3,318,656	2,947,802
At 31 March 2022		**3,400,829**	**3,318,656**

MEMBERS' CONTRIBUTORY PENSION FUND ACCOUNTS 2021-22

NET ASSETS STATEMENT

	Notes	31 March 2022 £	31 March 2021 £
Investment Assets			
Equities	8	670,998	596,405
Pooled Investment Vehicles	8	2,647,072	2,664,891
Total Value of Investments		3,318,070	3,261,296
Current Assets	7	107,227	81,049
Current Liabilities	7	(24,468)	(23,689)
Net Assets of the Fund		**3,400,829**	**3,318,656**

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

MEMBERS' 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 Comptroller and Auditor General under Schedule 2 (12) of the 1965 Act, 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 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**		
	Admin Fee	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	22,695	26,848
	Income from Pooled Investment Vehicles	56,838	54,577
	Interest on cash deposits	10	0
	Total Investment Income	**79,543**	**81,425**
6.	**Change In Market Value of Investments**		
	Net profit on sale of investments	-	6,477
	Net appreciation of Investments	56,774	331,164
	Total Change in Market Value	**56,774**	**337,641**
7.	**Current Assets and Liabilities**		
	Current Assets		
	Income Accrued	3,679	2,608
	Cash at Bank	103,548	78,441
	Total Current Assets	**107,227**	**81,049**
	Current Liabilities		
	Audit Fee	3,500	3,500
	Administration Expenses	9,192	9,180
	Custody Fee	7,732	7,465
	Government Actuary Fee	4,000	3,500
	Pensions Payable	44	44
	Total Current Liabilities	**24.468**	**23,689**

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	596,405	-	-	74,593	670,998
Pooled Investment Vehicles	2,664,891	-	-	(17,819)	2,647,072
	3,261,296	-	-	56,774	3,318,070

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: £396). 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 £30,951 (2020/21: £24,075).

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	670,998	596,405
Total	**670,998**	**596,405**

NOTES TO THE ACCOUNTS (CONTINUED)

8. Investments (continued)

Pooled Investment Vehicles	2021/22 £	2020/21 £
Unit Trusts – Overseas Equities	460,476	427,520
Investment Trust – Overseas Equities	208,489	191,963
Investment Trust – UK Equities	48,557	45,010
Exchange Traded Funds – Overseas Equities	84,179	86,006
Open Ended Investment Companies – Overseas Equities	238,399	211,984
Total Pooled Investment Vehicles – Equities	***1,040,100***	***962,483***
Unit Trusts – Overseas Bonds	111,930	117,358
Open Ended Investment Companies – UK Bonds	551,110	594,370
Open Ended Investment Companies – Overseas Bonds	835,308	874,124
Exchange Traded Funds – Overseas Bonds	108,624	116,556
Total Pooled Investment Vehicles - Bonds	***1,606,972***	***1,702,408***
Total Pooled Investment Vehicles	**2,647,072**	**2,664,891**

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	670,998	-	-	670,998
Pooled Investment Vehicles	449,848	2,197,224	-	2,647,072
Total	**1,120,846**	**2,197,224**	**-**	**3,318,070**

As at 31 March 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Equities	596,405	-	-	596,405
Pooled Investment Vehicles	439,535	2,225,356	-	2,664,891
Total	**1,035,940**	**2,225,356**	**-**	**3,261,296**

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

NOTES TO THE ACCOUNTS (CONTINUED)

10. Investment Risks (continued)

liquidity to enable the Scheme to meet all of its current and future obligations as they become payable.

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 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.
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Date of authorisation for issue

The Accounts were authorised for issue on 25 July 2023.