

Department of Finance and Personnel

Superannuation and Other Allowances Resource Accounts

For the year ended 31 March 2011

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

1 July 2011

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DEPARTMENT OF FINANCE AND PERSONNEL

Superannuation and Other Allowances Resource Accounts

for the year ended 31 March 2011

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REPORT OF THE MANAGERS

Account for the year ended 31 March 2011

Introduction

The Principal Civil Service Pensions Scheme (Northern Ireland) (PCSPS(NI)) is an unfunded, defined-benefit, occupational pension scheme administered by the Department of Finance and Personnel's (DFP's) Civil Service Pensions Branch which is based in Waterside House, Londonderry. The Scheme draws its statutory authority from the Superannuation (Northern Ireland) Order 1972.

The Scheme, which has approximately 34,150 current members, 8,450 deferred members and 25,400 pensioner members and dependents receiving benefits, is applicable to all employees of the Northern Ireland Civil Service plus some additional public sector bodies and offers a wide range of benefits. The detail of movement of membership in year is shown at Annex A.

Managers, Advisers and Employers

Managers

Accounting Officer

Mr Stephen Peover

DFP

Rathgael House

Balloo Road

BANGOR,

BT19 7NA

Pension Scheme Administrator

Compensation Scheme Administrator

Mrs Margaret Miskelly

DFP

Civil Service Pensions

Waterside House

75 Duke Street

LONDONDERRY,

BT47 6FP

Advisers

Scheme Actuary

Government Actuary's Dept

Finlaison House

15-17 Furnival Street

LONDON,

EC4A 1AB

Banker

Northern Bank

8/9 Donegall Square North

BELFAST,

BT1 5GJ

Legal Advisers

Departmental Solicitor's Office

Victoria Hall

12 May Street

BELFAST,

BT1 4NL

Auditor

Northern Ireland Audit Office

106 University Street

BELFAST,

BT7 1EU

Employers

Principal Employer

All NICS Departments and Agencies

Additional Bodies

See Annex B

THE SCHEME SUMMARY

The PCSPS(NI) rules are structured into 4 sections. Sections 1, 2 and 3 set out the provisions relating to the different pension arrangements payable under the scheme. There are three final salary arrangements (Classic, Classic Plus and Premium), one ‘career average’ arrangement (Nuvos) and one money purchase, defined contribution arrangement (Partnership Pension Account). Section 4 of the rules, contains the scheme governance arrangements and provisions for cost capping and sharing.

The 1972 Section provides for Classic, the original final salary arrangement. Under Classic, benefits accrue at 1/80 of final pensionable earnings with an automatic lump sum of 3/80 of final pensionable earnings and employee contributions are set at 1.5% of pensionable earnings and these are earmarked for provision of widow(er) benefits.

The 2002 Section provides for the Premium final salary arrangement for new entrants from 1 October 2002 until 29 July 2007. In addition the 2002 Section provides that those existing members who were in post on or before 30 September 2002 were able to choose Premium or the hybrid Classic Plus arrangement in which benefits before 1 October 2002 are as for Classic and benefits from that date forward are as for Premium. Under the Premium and Classic Plus Schemes, benefits accrue at 1/60 of final pensionable earnings with no automatic lump sum although pension may be commuted to lump sum on leaving. Employee contributions are set at 3.5% of pensionable earnings.

Pension age for Classic, Classic Plus and Premium is 60. Where applicable, benefits payable under any of the arrangements are increased annually in April in line with increases to the cost of living. Retail Price Index was the basis of increasing pensions until June 2010. From June 2010 the increases are determined on the basis of Consumer Price Index (CPI). Pensions were not increased in April 2010 as the RPI was negative (-1.4%) in September 2009.

The 2007 Section was introduced into the PCSPS(NI) with effect from 30 July 2007. The 2007 Section, known as Nuvos, is for members whose service started on or after 30 July 2007. Nuvos is an ‘earned pension’ arrangement. Members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in the CPI and attract an annual pension increase. Earned pension may be commuted for lump sum benefits on retirement. Pension age for the Nuvos is 65. Employee contributions are payable at 3.5% of pensionable earnings.

Generally most new employees eligible for scheme membership will be auto-enrolled in Nuvos, but those employed on short fixed term contracts will need to opt to join and those re-joining the pension scheme may be entitled to join one of the earlier arrangements.

Employers’ contributions to the Classic, Classic Plus, Premium and Nuvos arrangements are as determined by the Scheme Actuary (the Government Actuary’s Department) and are on the basis of salary bands which are reviewed annually and are a percentage rate of the member’s pensionable earnings. The percentage rates payable are reviewed as part of the periodical Actuarial review of the scheme, which takes place at least 4 yearly.

Benefits drawn before pension age will be subject to actuarial reduction for early payment. Members may purchase additional amounts of index linked pension payable on retirement (‘contributed benefits’) by making additional contributions from salary or lump sum payments.

Alternatively new entrants from 1 October 2002 may choose to join a money purchase stakeholder based arrangement to which the employer contributes (Partnership Pension Account) instead of Premium or Nuvos. Under these arrangements, the employer pays a contribution (the level of which depends on the age of the member) into the pension account. Employees are not required to contribute, but any contributions made are matched by the employer up to an upper limit of 3%.

SCHEME CHANGES

Legislative Changes 2010-11

A Statutory Rule – The Pensions Increase (Review) Order Northern Ireland 2011 – was made to provide for an increase of 3.1% in public sector pensions in 2011. The Pensions Increase (Modification) Regulations (Northern Ireland) 2011 were also made to ensure that qualifying pensions received an increase from the appropriate date. These changes are effective from 11 April 2011.

Legislation was made in the Superannuation (Offices of the Director and Deputy Director of Public Prosecutions) (Northern Ireland) Order 2011 to add these offices to those already listed at Schedule 1 to the Superannuation (Northern Ireland) Order 1972 as eligible for PCSPS(NI) membership.

The following changes were made to the rules of the PCSPS(NI):

Title of Legislation and Change introduced	PCSPS(NI) scheme section to which change was made:			
	1972 Section II Classic	2002 Section I Classic Plus & Premium	2007 Section III Nuvos	Section IV General Provisions Section
<p>Principal Civil Service Pension Scheme (Amendment No.2) Scheme (Northern Ireland) 2010</p> <p>A new option is inserted in each Section to enable members who take an early pension to buy out the actuarial reduction that would otherwise apply to their pension to reflect the fact that it is being paid early. Members may buy out the actuarial reduction by paying a special contribution to the PCSPS(NI) or, if they are entitled to a lump sum compensation payment under the Civil Service Compensation Scheme (Northern Ireland) (“the CSCS(NI)”), by asking their employer to pay the compensation to the PCSPS(NI). The amendments give members who take an actuarially reduced early pension (or who have bought out the actuarial reduction) the opportunity to defer taking any contributed pension until pension age.</p>	Applies	Applies	Applies	Applies

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Title of Legislation and Change introduced	PCSPS(NI) scheme section to which change was made:			
	1972 Section II Classic	2002 Section I Classic Plus & Premium	2007 Section III Nuvos	Section IV General Provisions Section
The approved early retirement terms in Nuvos are amended so that benefits may only be paid with the agreement of the Department of Finance and Personnel. This is to retain flexibility for the Department of Finance and Personnel to agree special arrangements for retirement before age 65 (at employer cost) in relation to particular occupations.	Does not apply	Does not apply	Applies	Does not apply
The rules regarding the benefits payable to pension credit members (who obtain rights under the scheme pursuant to a pension sharing on divorce order) are amended to enable them to take their pension early, on an actuarially reduced basis, between age 55 and 60.	Applies	Applies	Applies	Applies

Transfers

The following represents the position in relation to bulk transfers completed or ongoing throughout the 2010-11 financial year:

Name	Comments
Chief Electoral Officer for Northern Ireland	Bulk Transfer In (Ongoing) Pension provision for staff employed in the office of the Chief Electoral Office for Northern Ireland has been made in the PCSPS(NI) with effect from 1 April 2006. Transfer process is still underway, it is now anticipated that payment will be received in 2011-12.
Agri-food and Biosciences Institute (AFBI)	Bulk Transfer In - Pension provision for staff employed in AFBI has been made in the PCSPS(NI) with effect from 1 April 2006. This transfer was completed on 01/11/10.
Fisheries Conservancy Board	Bulk Transfer In - This transfer has an effective date of 01/06/09 and involves 5 members of staff. This transfer was completed 06/05/10.
Devolution of Justice	Bulk Transfer In (Ongoing). This transfer has an effective date of 12/04/10 and involves approximately 1,000 eligible members. A small number can also transfer wef 12/10/10, 12/04/11 and 12/04/12. The process is still ongoing. Approximately 700 staff are expected to transfer.

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Name	Comments
Devolution of Justice	Bulk Transfer Out (Ongoing). This transfer has the same effective dates as the bulk transfer in. Process is still underway.
Traffic Wardens/Car Park Attendants	Bulk Transfer Out (Ongoing) Pension provision for Traffic Wardens who have moved out of employment covered by the PCSPS(NI) with effect from 29 October 2006. Transfer process is underway, with payment anticipated to be made in 2011-12.
PSNI Cleaners	Bulk Transfer Out - Pension provision for PSNI Cleaning staff who have moved out of employment covered by the PCSPS(NI) with effect from 1 September 2006. This transfer was completed 18/02/11.
NI Water Limited (NIWL)	Bulk Transfer Out – Bulk transfer of employment from 01/04/07. This transfer was completed 20/08/10.
Waterways Ireland	Bulk Transfer Out – (Ongoing) Bulk transfer of employment of approximately 10 members effective from 26/03/03 although transfer was not notified to Civil Service Pensions until some years after this date. Transfer process is underway, with payment anticipated 2011-12.
Companies Register	Bulk Transfer Out – (Ongoing) Bulk transfer involving approximately 12 members of staff. Transfer process is underway, with payment anticipated 2011-12.

In addition, there were a number of smaller transfers at an individual or group level.

OTHER PROVISIONS

FREE-STANDING ADDITIONAL VOLUNTARY CONTRIBUTIONS AND STAKEHOLDER PENSIONS

Employees of Departments and other organisations which participate in the PCSPS(NI) may make their own arrangements for making payments to institutions which offer Free-Standing Additional Voluntary Contributions schemes. The Managers of the PCSPS(NI) have no responsibility in connection with such arrangements but have in place in-house arrangements with three Additional Voluntary Contribution providers.

Standard Life is the formally appointed, designated stakeholder pension provider for NICS employment in accordance with the access requirements of the Welfare and Pensions Reform Act 1999. Employers have made the arrangements known to staff and provide a facility for staff to contribute through payroll if they so wish. No contributions are made by the Managers of the PCSPS(NI) or by employers.

INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION

The Independent Public Service Pensions Commission led by Lord Hutton of Furness was established to examine the future of public service pension schemes in the United Kingdom. The Commission published an interim report on 7 October 2010 and the final report was released on 10 March 2011.

The Commission made a number of recommendations which have been welcomed by the Coalition Government as a basis for further discussion and consultation on the long term reform of public

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service pensions. Meetings between the Chief Secretary of the Treasury, the Minister for the Cabinet Office and a delegation of trades unions are currently ongoing.

SCHEME VALUATION

The Government Actuary's Department (GAD) is responsible for carrying out a full valuation of the PCSPS(NI) pension scheme. Although Civil Service Pensions Branch has provided GAD with all requested data, the 2010 valuation has not yet been completed as a result of HM Treasury instructing that all work on scheme valuations should be placed on hold, due to significant potential changes to pension scheme arrangements, including the following issues:-

- Independent Public Service Pensions Commission Report;
- Annual Pensions Increase now based on the Consumer Prices Index as opposed to the Retail Prices Index;
- Cost Sharing between employers and employees;
- Change in Scheme Discount Rate; and
- Increased member contributions.

The Cabinet Office is currently seeking clarification from its solicitors on the implications of scheme valuations not being completed in line with legislative requirements and will advise Civil Service Pensions Branch accordingly.

EVENTS AFTER THE REPORTING PERIOD

There were no events after the financial period requiring adjustment to or disclosure in these accounts.

DISCLOSURE TO AUDITORS

The Principal Accounting Officer, Stephen Peover, Permanent Secretary of the Department of Finance and Personnel has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Scheme's auditors are aware of such information. So far as he is aware there is no relevant audit information of which the entity's auditors are unaware.

FURTHER INFORMATION

Any enquiries about the Scheme should be addressed to:

Mrs Margaret Miskelly
DFP
Civil Service Pensions
Waterside House
75 Duke Street
LONDONDERRY
BT47 6FP

PCSPS(NI) MEMBERSHIP STATISTICS 2010-11

ACTIVE MEMBERS		TOTAL
Members at 1 st April 2010		33,740
Opening Adjustment		131
New Entrants in Year		1,370
Leavers		(1,093)
Members as at 31 st March 2011		34,148
 DEFERRED MEMBERS		
Deferred as at 1 st April 2010		8,780
Opening Adjustment		17
New deferred members		53
Deferreds cessated		(407)
Deferred as at 31 st March 2011		8,443
 PENSIONERS		
Pensioners as at 1 st April 2010	Members	19,657
	Dependents	5,331
Opening Adjustment	Members	78
	Dependents	4
New Retirees	Members	909
	Dependents	273
Deaths/Cessations/Others	Members	(592)
	Dependents	(274)
Pensioners as at 31 st March 2011	Members	20,052
	Dependents	5,334

Notes:

1. The figures in the table in bold are position statements i.e. they represent the status of the membership recorded as at the date in question.
2. The Active Member opening balance as at 1 April 2010 has had to be adjusted due to:
 - Reduction of -1 to the opening figure of Active Members due to adjustments in the data for the 2010 valuation following a housekeeping exercise.
 - Addition of +132 Career Breakers not included in Report of the Managers figures for 2009-10 or the data for the 2010 valuation.
3. The Deferred Member opening balance as at 1 April 2010 has had to be adjusted due to:
 - Addition of +11 to the opening balance adjustment figure to match the data for the 2010 valuation following a housekeeping exercise.
 - Addition of +6 to the opening balance to correspond to system report figure.

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4. The Pensioner Member opening balance as at 1 April 2010 has had to be adjusted due to:
 - Addition of +62 to the opening balance adjustment figure to match the data for the 2010 valuation following a housekeeping exercise.
 - Addition of +16 to the opening balance to correspond to system report figure.

5. The Dependants opening balance as at 1 April 2010 has had to be adjusted due to:
 - Reduction of -9 to the opening balance adjustment figure to match the data for the 2010 valuation figure following a housekeeping exercise.
 - Addition of +13 to the opening balance to include ex-spouse and partners pensions, which were not included in data for the 2010 valuation.

ANNEX TO REPORT OF THE MANAGERS 2010-11

Additional employment or offices to which the PCSPS(NI) applies.

1. **Museums**

Employment by the Board of Trustees of the National Museums and Galleries of Northern Ireland

Employment in the Northern Ireland Museums Council

2. **Assembly Offices**

Clerk to the Assembly

Clerk – Assistant to the Assembly

Second Clerk – Assistant to the Assembly

Fourth Clerk at the Table

Committee Clerk

Librarian

Assistant Librarian

Editor, Deputy Editor and Assistant Editor of Official Reports of Debates Reporter

Examiner of Statutory Rules for Northern Ireland

3. **Offices of the Planning Appeals Commission**

Chief Commissioner

Chief Professional Commissioner

Senior Professional Commissioner

Professional Commissioner

Principal Professional Commissioner

4. **Other Bodies**

Police Complaints Board for Northern Ireland

Employment by the Commissioner for Children and Young People for Northern Ireland

Employment in the Equality Commission for Northern Ireland

Employment in the Fair Employment Agency established under the Fair Employment (Northern Ireland) Act 1976

Chairman of the Fair Employment Agency

Employment in the Labour Relations Agency established under the Industrial Relations (Northern Ireland) Order 1976

Chairman of the Labour Relations Agency

Employment in the Equal Opportunities Commission established under the Sex Discrimination (Northern Ireland) Order 1976

Chairman of the Equal Opportunities Commission for Northern Ireland

Employment by the Northern Ireland Assembly Commission

Employment in the Northern Ireland Economic Development Office incorporated on 4 October 1978 under the Companies Act (Northern Ireland) 1960

Employment in the General Consumer Council for Northern Ireland established under the General Consumer Council (Northern Ireland) Order 1984

Office of Director General of Electricity Supply for Northern Ireland established under the Electricity (Northern Ireland) Order 1992

Office of Chairman of the Consumer Committee for Electricity

Employment in Invest Northern Ireland

Employment in the Northern Ireland Judicial Appointments Commission

Employment in the Commission for Racial Equality (Northern Ireland)

Secretary to the Mental Health Commission

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Chief Commissioner of the Equality Commissioner for Northern Ireland
Employment by the Northern Ireland Social Care Council
Chief Executive to the Mental Health Commission
Employment by the Northern Ireland Practice and Education Council for Nursing and Midwifery
Employment by the Northern Ireland Health and Personal Social Services Regulation and Improvement Authority
Employment in the Economic Research Institute of Northern Ireland Limited
Employment in the Office of the Commissioner for Children and Young People for Northern Ireland
Employment by the Police Service of Northern Ireland as a Civilian Direct Recruit
Employment in the Office of the Chief Electoral Officer for Northern Ireland
Employment in the Agri-food and Biosciences Institute
Employment in the Regional Health and Social Care Board
Employment in the Regional Agency for Public Health and Social Well-being
Employment in the Regional Business Services Organisation
Offices of the Director and Deputy Director of Public Prosecutions (Northern Ireland)

REPORT OF THE ACTUARY

Accounts for the year ended 31 March 2011

Introduction

1. This statement has been prepared by the Government Actuary’s Department at the request of the Department of Finance and Personnel (Northern Ireland) (‘the Department’). It summarises the pensions disclosures required for the 2010-11 Resource Accounts of the Principal Civil Service Pension Scheme (Northern Ireland) (‘the Scheme’ or ‘PCSPS (NI)’).
2. The PCSPS (NI) is a statutory scheme, the rules of which are set by the Department under the powers granted in the Superannuation (Northern Ireland) Order 1972 and subsequent amendments. The Scheme is wholly unfunded. Participating employers are required to make contributions during the period of a member’s active service, known as accruing superannuation liability charges (ASLCs). These ASLCs are assessed regularly by the Scheme Actuary in line with Section IV of the rules. I am not aware of any informal practices operated within the Scheme which lead to a constructive obligation (under IAS 19 constructive obligations should be included in the measurement of the actuarial liability).
3. The statement is based on an assessment of the liabilities as at 31 March 2007, with an approximate updating to 31 March 2011 to reflect known changes.

Membership data

4. Tables A to C summarise the principal membership data as at 31 March 2007 and 31 March 2011 used to prepare this statement.

Table A -Active members

31 March 2007	2006-07	31 March 2007	2010-11
Number	Total pensionable payroll(pa) (£ million)	Average reckonable service (years)	Total pensionable payroll (£ million)
32,757	728	15.41	856

Table B – Deferred members

31 March 2007	31 March 2007
Number	Total deferred pension(pa) (£ million)
7,080	12

Table C – Pensions in payment

31 March 2007	2006-07	2010-11
Number	Total pension (pa) (£ million)	Total pension (pa) (£ million)
23,527	138	180

Methodology

5. The present value of the liabilities has been determined using the Projected Unit Credit Method (which includes an allowance for expected future pay increases in respect of active members) and the financial and demographic assumptions set out in my report on the 2010-11 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2011 was determined using the Projected Unit Credit Method and the financial and demographic assumptions set out in the Government Actuary’s Department report on the 2009-10 Resource Accounts.
6. This statement takes into account the benefits normally provided under the Scheme, including age retirement benefits, ill-health retirement benefits, benefits applicable following the death of the member and pre-1 April 2006 injury benefits. A small allowance for the cost of post-1 April 2006 injury benefits has been included in the current service cost. This statement does not take into account premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.
7. The principal financial assumptions adopted to prepare this statement are shown in Table D. With effect from 31 March 2011, the assumed rate of return in excess of pension increases has been increased to 2.9% a year, and the assumed rate of return in excess of earnings has been increased from 0.3% a year to 0.7% a year. In addition, with effect from 31 March 2011, the assumed rate of future pension increases is 2.65% a year and the assumed nominal rate of salary growth is 4.87% a year (changed from 2.75% and 4.29% respectively as at 31 March 2010).

Table D – Principal financial assumptions

Assumption	31 March 2011	31 March 2010
Rate of return (discount rate)	5.6%	4.6%
Rate of return in excess of:		
Earnings increases	0.7%	0.3%
Pension increases (RPI)	n/a	1.8%
Pension increases (CPI)	2.9%	2.5%
Expected return on assets	n/a	n/a

8. The pension increase assumption as at 31 March 2011 is based on the Consumer Price Index (CPI) expectation of inflation rather than the Retail Prices Index (RPI). This is a consequence of the Government’s announcement that CPI is to be used for the indexation of public service pensions from April 2011.
9. At the request of the Department, this assessment allows for an annual pay award of 2.0% in August 2011, rather than an increase for that year in line with the assumed long term rate of salary growth of 4.9% a year.

Demographic assumptions

10. The demographic assumptions adopted to prepare this statement have been derived from the specific experience of the scheme membership.

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11. The demographic assumptions, except for mortality, adopted for the assessment of the liabilities as at 31 March 2011 are those adopted for the 2007 funding valuation of the PCSPS (NI).
12. The standard mortality tables known as PNA00 have been used but with the mortality rates applicable for two year of age older than members' actual age for men and one year of age older for women. Mortality improvements are assumed to be in accordance with those incorporated in the 2008-based principal population projections for the United Kingdom, as produced by the Office for National Statistics.
13. The contribution rate used to determine the accruing cost in 2010-11 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2009-10 Resource Accounts.

Liabilities

14. Table E summarises the assessed value as at 31 March 2011 of benefits accrued under the scheme prior to 31 March 2011 based on the data, methodology and assumptions described in paragraphs 3 to 12. The corresponding figures for the previous four year ends are also included in the table.

Table E – Statement of financial position

	£ billion				
	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	(6.94)	(7.85)	(5.57)	(6.38)	(6.86)
Surplus/(Deficit)	(6.94)	(7.85)	(5.57)	(6.38)	(6.86)
Of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Accruing costs

15. The cost of benefits accruing in the year ended 31 March 2011 (the Current Service Cost inclusive of members' contributions) is based on a standard contribution rate of 31.6%, as determined at the start of the year. This includes an element of 0.25% as a contribution towards the administration costs of the Scheme. Table F shows the standard contribution rate used to determine the Current Service Cost for 2010-11 and 2009-10.

Table F – Contribution rate

	Percentage of pensionable pay	
	2010-11	2009-10
Standard contribution rate	31.6%	22.6%

16. For the avoidance of doubt the employers' share of the standard contribution rate determined for the purposes of the Resource Accounts is not the same as the actual rate of contributions payable by employers, currently around 19.5% on average (excluding Pre-89 Prison Officers which has a contribution rate of 26.0%), which was determined based on the methodology and the financial and demographic assumptions adopted for the funding of the scheme. The most significant difference between the actuarial assessments for Resource Accounts and for scheme funding purposes is the discount rate net of pension increases, which was 1.8% pa net of RPI and 2.5% net of CPI for the 2010-11 Current Service Cost (3.2% pa for 2009-10) compared with 3.5% pa for the existing scheme funding rate (note that the discount rate for scheme

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funding purposes has recently been reviewed and reduced to 3% but this does not affect the current rate of contributions). A higher discount rate for scheme funding purposes results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is set by HM Treasury, and is expected to stay the same for an extended period so as to provide a stable budgeting mechanism for pension accrual within government. The discount rate for Resource Accounts is set each year by HM Treasury to reflect the requirements of IAS19.

17. The pensionable payroll for the financial year 2010-11 was £856 million (provided by DFP NI). Based on this information, the accruing cost of pensions in 2010-11 (at 31.6% of pay) is assessed to be £270 million.

Ian Boonin
Fellow of the Institute and Faculty of Actuaries
Government Actuary's Department
May 2011

STATEMENT OF ACCOUNTING OFFICER’S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, the Department of Finance and Personnel has directed the Principal Civil Service Pension Scheme (Northern Ireland) to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction.

With the exception of certain transactions (which are accounted for on a cash basis) the combined financial statements are prepared on an accruals basis and must give a true and fair view of the financial transactions of the combined scheme during the year and the disposition, at the end of the financial year, of the combined net liabilities. Note 2 “Accounting Policies” to the financial statements describes those transactions which are accounted for on a cash basis, the use of which has no material effect on the net outgoings for the year nor on the combined net liabilities at the year end.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Department of Finance and Personnel, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the accounts on a going-concern basis.

The Department of Finance and Personnel has appointed the Permanent Head of the Department as Accounting Officer for the Principal Civil Service Pension Scheme (Northern Ireland).

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme, are set out in the Accounting Officers’ Memorandum issued by the Department of Finance and Personnel and published in *Managing Public Money Northern Ireland*.

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money Northern Ireland*.

All relevant internal control considerations, including any issues of risk, are taken into account with regard to the achievement of departmental policies, aims and objectives and, where necessary, are brought to the attention of the Minister.

Additionally, the Head of Internal Audit provides a written report to the Departmental Accounting Officer, timed to support this Statement on Internal Control, on the overall adequacy and effectiveness of the Department's risk management, control and governance process.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Department of Finance and Personnel's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system of internal control has been in place in the Department of Finance and Personnel for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts of the Department of Finance and Personnel and accords with DFP guidance.

3. Capacity to handle risk

The Department's capacity to manage risk is established through the risk and control framework and the increasing experience of managers in the risk management process. Core Directors, senior managers and Agency Chief Executives provide leadership to the risk management process in their particular areas of responsibility and also corporately through their involvement in the Departmental Board, the Departmental Audit and Risk Committee and Directorate and Agency management and Audit Committee meetings.

Guidance and legislation issued centrally is communicated to staff for implementation, as appropriate. Where this impacts on the business of an agency or departmental directorate, either as a new requirement or as a change to existing processes, it is considered in the wider context of the agency/directorate business plan and risk register. Where significant, the risk is documented in the risk register and ownership allocated and reviewed on an ongoing basis.

The Department has a Policy and Framework for Risk Management and training in risk management was previously provided to managers. During 2010-11, training on the role of board members and public accountability for audit committee members was delivered to 3 members of the DFP Departmental Board, including both new independent board members.

4. The risk and control framework

The Department's Policy and Framework for Risk Management defines the framework and describes the process for identifying and managing risks within the Department. In compiling risks, business areas are required to review risks against objectives and targets and document the outcome in a risk register. The Department operates an integrated Corporate Planning and Risk Management application that supports the Corporate Risk Register.

The Departmental Board has ensured that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on:

- Each business area prioritises risk against a standardised risk impact/likelihood matrix to reduce subjectivity in assessing risk;
- Key risks identified at agency/directorate level are documented on risk registers and are reviewed formally at least twice a year at business area Audit and Risk Committees (ARCs);
- The Departmental Risk Register is updated and reviewed quarterly by the Departmental Board and at all meetings of the Departmental Audit and Risk Committee;
- The Committee, which is chaired by an independent member of the Departmental Board, assesses the continued appropriateness of risks, and the means through which they are managed. The need to add, delete, relegate or promote risks is also determined in order to reflect the current business environment;
- Agency chief executives and senior management of the core directorates complete stewardship statements at the end of each financial year. Mid-year reports are the vehicle for ensuring the continued maintenance of registers during the year;
- The Department recognises the need for appropriately handling information used for operational purposes and reporting purposes, particularly where it is used by third parties or other parts of government. The Departmental Board has and continues to focus on the effective management of information, with information risks reflected, as appropriate, within the Corporate Risk Register. The Department has appointed a Senior Information Risk Owner (SIRO) at senior civil service level, who is responsible for ensuring that information risk within the Department is managed appropriately. Information Asset Owners (IAO) have also been appointed within all of the Department's business areas. The SIRO is expected to understand how the strategic business goals of the organisation may be impacted by information system failures. Whilst this role is supported by the Departmental Security Officer, IT Security Officer and Accreditor, nevertheless the ownership of risk remains with the SIRO. Agency chief executives and senior management of the core directorates are required to provide assurance within their stewardship statements, that all information used for operational purposes has been handled appropriately, particularly where it is used by third parties or other parts of government;
- The Fraud Working Group continued to meet during 2010-11 heightening awareness of the risk of fraud across the Department. The Department updated its Anti-Fraud Policy and Fraud Response Plan, and staff were reminded of the Department's fraud policy and response plan and whistleblowing arrangements through the Staff Brief. The Department's Anti-Fraud Policy, Fraud Response Plan and Whistleblowing Arrangements are published on the DFP intranet and internet sites. The Department continues to participate in the National Fraud Initiative;

- A fraud awareness seminar for the DFP Departmental Board was conducted in March 2011; and
- A ‘Whistleblowing’ policy has been approved by the Departmental Board, circulated to all staff and is available on the Department’s website.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department of Finance and Personnel who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Departmental Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

A number of elements that contribute to the review of effectiveness of the system of internal control include:

- The Board includes independent members;
- A Business Diary is produced to help inform the agenda for meetings of the Departmental Board;
- The Departmental Corporate Application for Business Planning and Risk Management which supports a comprehensive quarterly Corporate Performance Report to the Departmental Board and the Department’s Corporate Risk Register. In addition, monthly finance reports are also provided to the Departmental Board;
- The Departmental Board which exercises authority at a corporate level within the Department and comprised the Permanent Secretary, the Chief Executive of Land and Property Services, the Chief Executive of the Northern Ireland Statistics and Research Agency, the Departmental Solicitor, the Personnel Director, the Finance Director and the senior managers within the core directorates. During the year, the Departmental Board met separately on 11 occasions. This was augmented by a series of weekly stock take and ad-hoc meetings attended by key senior staff;
- The Department has a properly constituted Departmental Audit and Risk Committee which met three times during the 2010-11 year, and receives periodic reports concerning internal control. It provides oversight in ensuring that appropriate steps are being taken to manage risks in significant areas of responsibility and monitoring progress, including a review of stewardship assurance statements completed by heads of business areas. It is chaired by an independent board member. The Departmental Audit and Risk Committee consider a range of issues that help to inform the review of effectiveness of the system of internal control;
- The Department’s Internal Audit Unit, which is independent from executive responsibilities and has direct access to the Accounting Officer and the independent chair of the Departmental Audit and Risk Committee, operates to standards defined in the Government Internal Audit Standards. Regular reports are submitted, which include the Head of Internal Audit’s independent opinion on the adequacy and effectiveness of the Department’s system of internal control together with recommendations for improvement;

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- The Department considers the recommendations for improvement made by the Public Accounts Committee and implements appropriate changes to its systems of internal control. In particular the Department is currently considering recommendations in the recent report on the Review of Procurement and Governance in NI Water;
- The Department employs the Office of Government and Commerce (OGC) Gateway Review for all major projects and programmes. Reviews are carried out at key decision points in the delivery and implementation cycle by an experienced team independent of the project or programme team. A red, amber and green traffic light system is used to determine the status of the project or programme. Where a 'red' status is reported remedial action will be taken immediately by the project/programme Senior Responsible Owner. The outcome of reviews of projects and programmes is taken into account in my review of the effectiveness of the system of internal control. Any project or programme receiving a consecutive 'red' status following the Gateway Review will be considered as a significant internal control problem and reported on accordingly;
- The Department agreed to a consensual audit by the Information Commissioner's Office of its processing of personal data. The primary purpose of the audit was to provide an independent opinion of the extent to which DFP is complying with the Data Protection Act. The audit took place in February 2011 and provided a reasonable level of assurance; and
- A PCSPS(NI) Governance Group was established legislatively by an amendment to the scheme rules effective from 1 February 2010. The Group works with Civil Service Pensions Branch to improve the way the pension scheme is run. Its purpose is to:
 - provide a mechanism through which the service delivery of the Northern Ireland Civil Service pension arrangements is monitored independently; and
 - play a role in ensuring that pension scheme members and their employers have involvement in the process for reviewing PCSPS(NI) scheme costs.

The Governance Group met twice during the financial year and has issued an annual report on its activities.

Significant internal control problems are highlighted at section six of this statement.

6. Significant Internal Control Issues 2010-11

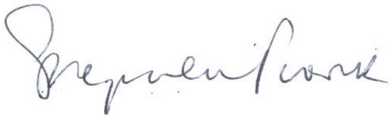
Internal Audit completed assignments across all DFP business areas during 2010-11 and provided overall satisfactory assurance to all DFP Directorates and Agencies.

Individual assignments resulted in satisfactory assurance in most cases, with some receiving substantial assurance.

During the year the arrangements for obtaining assurance in respect of the services provided by the HR Connect Contractor were reviewed and a programme of audits by Internal Audit has since been completed with an overall satisfactory assurance provided.

During 2010-11 there were no instances of information loss by the Department and an independent audit by the Information Commissioner's Office of data handling in the Department provided a reasonable level of assurance.

APPROVED AND SIGNED

A handwritten signature in cursive script, appearing to read 'Stephen Peover'.

STEPHEN PEOVER
Accounting Officer
Department of Finance & Personnel

Date: 27 June 2011

Department of Finance and Personnel – Principal Civil Service Pension Scheme (Northern Ireland)

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

I certify that I have audited the financial statements of the Department of Finance and Personnel Principal Civil Service Pension Scheme (Northern Ireland) for the year ended 31 March 2011 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Combined Statement of Comprehensive Net Expenditure, the Combined Statement of Financial Position, the Combined Statement of Changes in Taxpayers' Equity, the Combined Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department of Finance and Personnel Principal Civil Service Pension Scheme (Northern Ireland)'s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department of Finance and Personnel Principal Civil Service Pension Scheme (Northern Ireland); and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report of the Managers and Report of the Actuary to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the scheme's affairs as at 31 March 2011, and the net cash requirement, net resource outturn, combined net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001.

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Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.



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

28th June 2011

Statement of Parliamentary Supply

Summary of Resource Outturn 2010-11

					2010-11 £000	2009-10 £000			
					Outturn	Outturn			
Request for Resources	Note	Gross Expenditure	Accruing Resources	Estimate Net total	Gross Expenditure	Accruing Resources	Net total	Net Total outturn compared with Estimate: saving/(excess)	Net total
Providing for the payment of pensions and lump sum benefits to or in respect of persons covered by the Principal Civil Service Pension Scheme (NI)									
DEL: Redundancy and early retirement costs to former Civil Servants, part of which are funded by HMT									
		5,500	5,500	-	3,393	3,393	-	-	-
AME: Pensions, lump sums and gratuities									
		924,888	394,756	530,132	(18,851)	244,346	(263,197)	793,329	360,094
Total Resources	3	930,388	400,256	530,132	(15,458)	247,739	(263,197)	793,329	360,094

Summary of net cash requirement 2010-11

					2010-11 £000	2009-10 £000		
					Estimate	Outturn	Net Total outturn compared with Estimate: saving/(excess)	Outturn
Net cash requirement	4				105,000	81,724	23,276	74,341

Summary of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the pension scheme and is payable to the Consolidated Fund (cash receipts being shown in italics)

					Forecast 2010-11 £000	Outturn 2010-11 £000		
					Income	Receipts	Income	Receipts
Total	5				-	-	-	-

Notes 1 to 27 form part of these accounts.

Explanation of the variation between Estimate and Outturn:

The variance between the AME outturn and Estimate of £793.3m is largely due to the accounting treatment of a change in the pension increase index from the Retail Price Index to the Consumer Price Index introduced by government during the year. The Estimates were prepared on the basis of initial accounting advice from HM Treasury, which suggested that this be treated as an actuarial gain, which would not have had an impact on the outturn reported in the Statement of Parliamentary Supply. However, following finalisation of the Estimates, it has been agreed that this item should be regarded as a negative past service cost. This resulted in an unexpected negative past service cost of £690m being reflected in the outturn.

Part of the variance also arises from the up-rating factor which is applied to employer and employee contributions to calculate current service cost used in the Estimate. The actual up-rating factor used at the year end when compared to that used at the time of the forecast resulted in the actual current service cost being less than the forecast.

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

The Spring Supplementary Estimate Net Cash Requirement included a provision for the payment of forecast transfers out. At the year end some transfer out values were not formally agreed. This contributed to a reduced cash requirement.

**Combined Statement of Comprehensive Net Expenditure
for the year ended 31 March 2011**

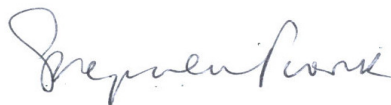
	Note	2010-11 £000	2009-10 £000
Principal Arrangements – Principal Civil Service Pension Scheme (NI)			
Income			
Contributions receivable	7	184,091	160,493
Transfers in	8	60,171	(2,334)
Other pension income	9	84	373
		244,346	158,532
Expenditure			
Pension cost	10, 20.4	(270,000)	(180,000)
Past service cost	10	690,000	-
Enhancements	11	(978)	(960)
Transfers in	12	(60,171)	2,334
Interest on scheme liabilities	14, 20.4	(340,000)	(340,000)
		18,851	(518,626)
Net income/(expenditure)		263,197	(360,094)
Agency Arrangements – Civil Service Compensation Scheme (NI)			
Benefits payable	15	-	-
Net expenditure		-	-
Combined net income/(expenditure)	3	263,197	(360,094)
Other Comprehensive Net Expenditure			
		2010-11 £000	2009-10 £000
Actuarial gain/(loss)	20.4	651,842	(1,962,344)
		651,842	(1,962,344)
Total Comprehensive Net Income/(Expenditure) for the year ended 31 March 2011		915,039	(2,322,438)

Notes 1 to 27 form part of these accounts.

**Combined Statement of Financial Position
as at 31 March 2011**

	Note	2011 £000	2010 £000
Principal arrangements – Principal Civil Service Pension Scheme (NI)			
Current Assets:			
Receivables	17	66,129	26,120
Cash and cash equivalents	18	12,233	539
		78,362	26,659
Payables (within 12 months)	19	(27,534)	(62,850)
Net current assets/(liabilities), excluding pension liability:		50,828	(36,191)
Pension liability	20.4	(6,940,000)	(7,850,000)
Net liabilities, including pension liabilities		(6,889,172)	(7,886,191)
Agency arrangements – Civil Service Compensation Scheme (NI)			
Receivables	21	848	1,095
Payables (within 12 months)	22	(13)	(4)
Net current assets		835	1,091
Payables (after 12 months)		-	-
Net assets		835	1,091
Combined schemes – Total net liabilities		(6,888,337)	(7,885,100)
Taxpayers' equity:			
General Fund		(6,888,337)	(7,885,100)
		(6,888,337)	(7,885,100)

Signed:



**Stephen Peover
Accounting Officer**

Date:

27 June 2011

**Combined Statement of Changes in Taxpayers Equity
for the year ended 31 March 2011**

	2010-11	2009-10
	£000	£000
Balance at 31 March	7,885,100	5,637,005
Net Parliamentary Funding - drawn down	(93,418)	(81,854)
Net Parliamentary Funding - deemed	(7,513)	-
Supply payable/(receivable) adjustment	19,207	7,513
Combined Net (Income)/Expenditure for the Year	(263,197)	360,094
Actuarial (gain)/loss	(651,842)	1,962,344
Adjustments	-	(2)
Net change in Taxpayers' Equity	<u>(996,763)</u>	<u>2,248,095</u>
Balance at 31 March	<u>6,888,337</u>	<u>7,885,100</u>

**Combined Statement of Cash Flows
for year ended 31 March 2011**

	Note	2010-11 £000	2009-10 £000
Cash flows from operating activities			
Combined net income/(expenditure) for the year		263,197	(360,094)
(Increase) in Receivables – principal arrangements	17	(40,009)	(13,089)
Decrease in receivables – agency arrangements	21	247	49
(Decrease) in payables: pensions			
Short-term payables	19	(35,315)	(27,384)
Increase/(Decrease) in payables: compensation scheme			
Short-term payables	22	9	(212)
<i>less movements in payables relating to items not passing through the revenue account</i>		(11,694)	15,787
Increase in pension provision		(80,000)	520,000
Increase in pension provision – enhancements and transfers in		61,149	(1,374)
Use of provisions – pension liability	20.5	(231,137)	(210,969)
Use of provisions – refunds and transfers	20.6	(6,871)	4,599
Use of provisions – death in service	20.5	(1,300)	(1,654)
Net cash Outflow from Operating Activities		(81,724)	(74,341)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		93,418	81,854
From the Consolidated Fund (Supply) – prior year		-	-
Net Assembly financing		93,418	81,854
Compensation agency payments made on behalf of employers	15	(2,201)	(2,820)
Reimbursement of compensation payments made by employers	15	2,201	2,820
Lump sum payments made on behalf of employers	15	(1,192)	(1,245)
Reimbursement of lump sum made by employers	15	1,192	1,245
Net financing		93,418	81,854
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		11,694	7,513
Receipts due to the Consolidated Fund which are outside the scope of the scheme's activities		-	-
Payments of amounts due to the Consolidated Fund		-	(23,300)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		11,694	(15,787)
Cash and cash equivalents at the beginning of the period	18	539	16,326
Cash and cash equivalents at the end of the period	18	12,233	539

Notes 1 to 27 form part of these accounts.

Notes to the Scheme Statement

1. Basis of preparation of the scheme statement

The combined scheme statements have been prepared in accordance with the relevant provisions of the 2010-11 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel, which reflect the requirements of IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. These accounts show the unfunded pension liability and movements in that liability during the year. These accounts also have regard to the recommendations of the Statement of Recommended Practice *Financial Reports of Pension Schemes* to the extent that these are appropriate, together with the Superannuation (Northern Ireland) Order 1972.

In addition to the primary statements prepared under International GAAP, the *FReM* also requires the scheme to prepare an additional statement – a *Statement of Parliamentary Supply*. This, and its supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

1.1 Principal Civil Service Pension Scheme (NI) – principal arrangements

The scheme statement summarises the transactions of the Principal Civil Service Pension Scheme (NI) which acts as a principal. The Combined Statement of Financial Position shows the deficit on the scheme; the Combined Statement of Comprehensive Net Expenditure shows, amongst other things, the movements in the liability analysed between the pension cost, enhancements and transfers in, and the interest on the scheme liability. The actuarial position of the pension scheme is dealt with in the Report of the Actuary, and the scheme statements should be read in conjunction with that report.

1.2 Civil Service Compensation Scheme (NI) – agency arrangements

The Civil Service Compensation Scheme (NI) acts as an agent for employers in the payment of compensation payments arising under the Scheme. Compensation payments paid out in the course of the month are generally recovered from employers at month-end. These financial flows are not brought into account in the financial statements.

2. Statement of accounting policies

The accounting policies contained in the *FReM* follow international generally accepted accounting practice for companies (International GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the accounts.

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Pension contributions receivable

Employers' normal pension contributions are accounted for on an accruals basis. There are no employers' special pension contributions.

Employees' pension contributions, which include amounts paid in respect of the purchase of added years/added pension but which exclude Additional Voluntary Contributions, are accounted for on an accruals basis. The increase in the scheme liability associated with the purchase of added years/added pension is recognised as expenditure.

2.3 Transfers in and out

Transfers in and out are generally accounted for on a cash basis. However, where the scheme has formally accepted or transferred a liability, for example in the case of a group transfer, transfers are accounted for on an accruals basis.

Transfers in are simultaneously recognised as income and expenditure (i.e. the increase in the scheme liability is accounted for at the same time as the associated income).

Any material transfers that have been agreed but not settled at the balance sheet date, or which are still under negotiation, are disclosed by way of a narrative note.

2.4 Other income

Other income, such as interest on transfer values and pension premiums recovered from employers in the event of early retirement, is accounted for on an accruals basis.

2.5 Current service cost

The current service cost is the increase in the present value of the scheme liabilities arising from employee service in the current period. The cost is based on the discount rate applicable at 1 April 2010, based on the financial and demographic assumptions applying as at 31 March 2010. For this calculation pension increases are assumed to be in line with Retail Price Index (RPI) for benefits accrued in the period up to 22 June 2010, and pension increases are assumed to be in line with Consumer Price Index (CPI) for benefits accrued after 22 June 2010 and is recognised in the Combined Statement of Comprehensive Net Expenditure.

2.6 Past service cost

The past service cost is the change in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of reductions or improvements to retirement benefits.

2.7 Interest on scheme liabilities

The interest cost is the increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement. The interest cost is based on the discount rate applicable at 1 April 2010, i.e. 4.6% and is recognised in the Combined Statement of Comprehensive Net Expenditure.

2.8 Other payments

Other payments are accounted for on an accruals basis.

2.9 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liability is measured on an actuarial basis using the projected unit credit method, with allowance for expected future pay increases in respect of active members, and is discounted at the rate applicable at 31 March 2011, being 2.9 % real rate (i.e. 5.6% per cent including inflation) (2009-10: 1.8% per cent real rate (i.e. 4.6% per cent including inflation)).

Full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding four years. In the intervening periods the actuary reviews the most recent actuarial valuation at the balance sheet date and updates it to reflect current conditions.

The valuation at 31 March 2011 is based on the full actuarial valuation as at 31 March 2007.

2.10 Pension benefits payable

Pension benefits payable are accounted for as a decrease in the scheme liability on an accruals basis. Pension benefits are treated as payable only from the time that the pension scheme itself has accepted liability.

2.11 Pension payments to those retiring at their normal retirement age

Where a member retiring has no choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for on an accruals basis.

Where a retiring member of the pension scheme has a choice over the allocation of benefits between the value of the lump sum and the annual pension, the transaction is accounted for on a cash basis.

2.12 Pension payments to and on account of leavers before their normal retirement age

Where a member of the pension scheme has the option of receiving a refund of contributions or a deferred pension, the transaction is accounted for as a decrease in the scheme liability on a cash basis.

2.13 Injury benefits

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

2.14 Lump sums payable on death in service

Lump sum payments payable on death in service are accounted for on an accruals basis. They are funded through the normal pension contributions and are a charge on the pension provision.

2.15 Actuarial gains and losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Combined Statement of Comprehensive Net Expenditure.

2.16 Additional voluntary contributions

Additional Voluntary Contributions ('AVCs') are deducted from employees' salaries and are paid over directly by the employers to the approved AVC providers. These are recorded by way of a note to the scheme statements.

2.17 Compensation benefits payable

Compensation benefits payable are accounted for on an accruals basis.

2.18 Administration expenses

With effect from 1 April 2005, an element of the Accruing Superannuation Liability Charge, paid by employers, is being appropriated in aid of the Department of Finance and Personnel to offset central management costs. These include the costs associated with the management and development of Civil Service pension arrangements, the procurement of pension payroll and other services, maintenance and development of pension software used by scheme administrators and the publication of explanatory scheme material. Employers are responsible for the funding of the day to day administration of the PCSPS(NI) and meet the associated costs from their running cost provision.

In 2010-11 an amount of £1,561k (2009-10 £1,593k) was treated as Accruing Resources of the Department of Finance and Personnel in respect of PCSPS(NI) administration expenses. This has been included as a cost within employer contributions.

2.19 Functional currency

The functional currency is Sterling and all figures have been rounded to the nearest thousand pounds.

2.20 Cash and cash equivalents

The cash balance is based on cash at bank adjusted for any outstanding payments and receipts that have yet to be processed through the accounts.

2.21 Change to pension indexation arrangements

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension.

The change from RPI to CPI for the purposes of uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

The question of whether, as regards the main public service pensions schemes, there is a legitimate expectation that RPI will be used for inflation indexing is currently before the courts in judicial review proceedings. The Government's case is that no legitimate expectation exists and that, in any event, even if there was a legitimate expectation this was overridden by the clear public interest in making very substantial savings at a time when the government had adjudged that deficit reduction was a fundamental objective for the country. If the Government's case is proven, there would be no change to the accounting treatment adopted in these accounts.

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2011

3. Reconciliation of Estimates, accounts and budgets

Reconciliation of net resource outturn to combined net outgoings				2010-11 £000	2009-10 £000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn		(263,197)	530,132	793,329	360,094
Non-supply Income (CFERs)	5	-	-	-	-
Combined Net Outgoings		(263,197)	530,132	793,329	360,094

The pension scheme does not have an administration budget.

4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000
Net Resource Outturn	3	530,132	(263,197)	793,329
Accruals adjustments				
Non-cash Items	20.4	(924,888)	18,851	(943,739)
Changes in working capital other than cash		261,284	86,762	174,522
Changes in creditors falling due after more than one year		-	-	-
Use of provision:				
Pension	20.5, 20.6	238,472	239,308	(836)
Excess cash receipts surrenderable to the Consolidated Fund	5	-	-	-
Net cash requirement		105,000	81,724	23,276

5. Analysis of income payable to the Consolidated Fund

There was no income payable to or receipts received on behalf of the Consolidated Fund during the year.

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

	Note	2010-11 £000	2009-10 £000
Principal Civil Service Pension Scheme (NI)			
Operating income		244,346	158,532
Adjustments for transactions between Requests for Resources		-	-
Gross income		244,346	158,532
Income authorised to be appropriated-in-aid		244,346	158,532
Operating income payable to the Consolidated Fund		-	-
Civil Service Compensation Scheme (NI)			
Operating income		3,393	4,065
Adjustments for transactions between Requests for Resources		-	-
Gross income		3,393	4,065
Income authorised to be accruing resources		5,500	5,500
Operating income payable to the Consolidated Fund		-	-
Operating income payable to the Consolidated Fund	5	-	-

Statement of Comprehensive Net Expenditure – principal arrangements: Principal Civil Service Pension Scheme (NI)

7. Pension contributions receivable

	2010-11 £000	2009-10 £000
Employers	165,055	142,413
Employees:		
Normal	18,058	17,120
Purchase of added years/added pension	978	960
	184,091	160,493

8. Pension transfers-in (see also Note 12)

	2010-11 £000	2009-10 £000
Group transfers in from other schemes	56,828	(6,990)
Individual transfers in from other schemes	3,343	4,656
	60,171	(2,334)

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9. Other pension income

	2010-11 £000	2009-10 £000
Amounts receivable in respect of:		
Pension and lump sum premiums recoverable from employers	84	373
	<u>84</u>	<u>373</u>

10. Pension cost

	2010-11 £000	2009-10 £000
Current service cost (see note 20.4)	270,000	180,000
Past service cost	(690,000)	-
	<u>(420,000)</u>	<u>180,000</u>

11. Enhancements (see also Note 20.4)

	2010-11 £000	2009-10 £000
Employees:		
Purchase of added years/added pension	978	960
	<u>978</u>	<u>960</u>

12. Transfers in (see also Note 8)

	2010-11 £000	2009-10 £000
Group transfers in from other schemes	56,828	(6,990)
Individual transfers in from other schemes	3,343	4,656
	<u>60,171</u>	<u>(2,334)</u>

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

13. Injury benefits

	2010-11 £000	2009-10 £000
Injury benefits payable	601	1,054
Less: recoverable from employers	(601)	(1,054)
	<u>-</u>	<u>-</u>

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

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14. Interest on scheme liabilities (see also Note 20.4)

	2010-11 £000	2009-10 £000
Interest charge for the year	340,000	340,000
	<u>340,000</u>	<u>340,000</u>

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

15. Compensation benefits payable

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

	2010-11 £000	2009-10 £000
Recoverable from employers (cash flow statement)	2,201	2,820
Total annual compensation payable	<u>2,201</u>	<u>2,820</u>
Lump sums payable recoverable from employers	1,192	1,245
Total lump sums payable	<u>1,192</u>	<u>1,245</u>

16. Additional Voluntary Contributions

16.1 The Principal Civil Service Pension Scheme (NI) provides for employees to make additional voluntary contributions (AVC's) to supplement their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment to one of the approved providers. The Managers of the Principal Civil Service Pension Scheme (NI) are responsible only for ensuring that members' contributions are paid to the approved providers. These transactions are not recorded in the main pension scheme statements. Instead, they are recorded by way of a note to the scheme statements. Members participating in this arrangement each receive an annual statement made up to 5 April from the approved provider confirming the amounts held on their account and the movements in the year.

16.2 The aggregate amounts of AVC investments are as follows:

	2010-11 £000	2009-10 £000
Movements in the year		
The Equitable Life Assurance Policy		
Balance as at 6 April	993	935
Contributions received	39	38
Life assurance premiums	(20)	(24)
Retirement benefits	(75)	(24)
Leavers (transfers and withdrawals)	(3)	-
Internal transfers to other policies insured by the Society	19	(22)
Payment for death and refunds	(8)	-
Contributions received but not yet used to purchase benefit	(2)	-
Changes in market value of investments	47	90
Value of fund at 5 April	<u>990</u>	<u>993</u>

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	2010-11	2009-10
	£000	£000
Scottish Widows		
Balance as at 6 April	5,512	5,097
Contributions received	245	296
Sale of investments	-	-
Settlements	(682)	(640)
Changes in market value of investments	217	759
	<hr/>	<hr/>
Balance as at 5 April	5,292	5,512
	<hr/>	<hr/>
	2010-11	2009-10
	£000	£000
Standard Life		
Balance as at 6 April	1,761	1,264
Contributions received	132	161
Changes in market value	126	324
Expenditure	(169)	-
Value of fund at 31 March	1,850	1,749
Surrender value adjustment (notional)*	-	12
	<hr/>	<hr/>
Net Asset Value as at 5 April	1,850	1,761
	<hr/>	<hr/>

*This adjustment applies only to With Profits Investments and only if the member transfers their fund away from Standard Life. It is calculated on an individual basis, and has increased by £12,300.92 in 2009-10.

Statement of Financial Position: Principal arrangements – Principal Civil Service Pension Scheme (NI)

17. Receivables – contributions due in respect of pensions

17(a) Analysis by type	2011	2010
	£000	£000
Amounts falling due within one year:		
Pension contributions due from employers	5,910	17,230
Employees' normal contributions	625	2,078
Contributions for employees' added years/added pension	14	76
Group transfers	58,250	4,710
Overpaid pensions	261	200
Provision for doubtful debts	(29)	(19)
Other receivables	1,098	1,845
	<hr/>	<hr/>
	66,129	26,120
	<hr/>	<hr/>

Included within these figures is £Nil (2009-10: £Nil) that will be due to the Consolidated Fund once the debts are collected.

There are no amounts due after more than one year as at 31 March 2011 or 31 March 2010.

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2011

17(b) Intra-Government Balances	Amounts falling due within one year		Amounts falling due after more than one year	
	2010-11 £000	2009-10 £000	2010-11 £000	2009-10 £000
Balances with other central government bodies	65,258	23,785	-	-
Balances with local authorities	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	871	2,335	-	-
At 31 March	66,129	26,120	-	-

18. Cash and cash equivalents

	2010-11 £000	2009-10 £000
Balance at 1 April	539	16,326
Net change in cash balances	11,694	(15,787)
Balance at 31 March	12,233	539

The following balances at 31 March were held at:

Commercial banks and cash in hand	12,233	539
Balance at 31 March	12,233	539

19. Payables – in respect of pensions

19(a) Analysis by type	2011 £000	2010 £000
Amounts falling due within one year		
Pensions	1,393	911
Group transfer out *	5,365	52,790
Other creditors	1,569	1,636
Amounts issued from the Consolidated Fund for supply but not spent at year end	19,207	7,513
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	-	-
Receivable	-	-
Excess cash receipts surrenderable to the Consolidated Fund	-	-
	27,534	62,850

* The group transfer out is payable to the following pension schemes: Prudential Platinum pension scheme £3,240,000; North/South pension scheme £900,000; Health and Social Care pensions scheme £1,225,000.

There were no amounts payable after more than one year as at 31 March 2011 or 31 March 2010.

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2011

19(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2010-11 £000	2009-10 £000	2010-11 £000	2009-10 £000
Balances with other central government bodies	22,900	55,189	-	-
Balances with local authorities	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	4,634	7,661	-	-
At 31 March	27,534	62,850	-	-

20. Provisions for pension liabilities

20.1 Assumptions underpinning the provision for pension liability.

The Principal Civil Service Pension Scheme (NI) is an unfunded defined benefit scheme. The Government Actuary's Department carried out an assessment of the scheme liabilities as at 31 March 2011. The Report of the Actuary on pages 12 to 15 sets out the scope, methodology and results of the work the actuary has carried out. The resource accounts update valuation at 31 March 2011 by the Government Actuaries Department is based on a full actuarial valuation carried out as at 31 March 2007.

The scheme managers together with the actuary and the auditor have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the scheme managers should make available to the actuary in order to meet the expected requirements of the scheme auditor. This information includes, but is not limited to, details of:

- scheme membership, including age and gender profiles, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the scheme;
- income and expenditure, including details of expected bulk transfers into and out of the scheme; and
- following consultation with the actuary, the key assumptions that should be used to value the scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The major assumptions used by the Actuary were:

	At 31 March 2011 %	At 31 March 2010 %	At 31 March 2009 %	At 31 March 2008 %	At 31 March 2007 %
Rate of increase in salaries	4.9	4.3	4.3	4.3	4.3
Rate of increase in pensions in payment and deferred pensions	2.65	2.75	2.75	2.75	2.75
Rate of Return (Discount rate)	5.6	4.6	6.0	5.3	4.6
Inflation assumption					
Rate of return in excess of:					
Pension increases (RPI)	n/a	1.8	3.2	2.5	1.8
Pension increases (CPI)	2.9	2.5	n/a	n/a	n/a
Earnings Increases	0.7	0.3	1.7	1.0	0.3

Mortality:

Mortality rates are based on relevant actuarial mortality tables. Life expectancies resulting from these assumptions are provided in Note 20.10.

DFP – Superannuation and Other Allowances Resource Accounts for the year ended 31 March 2011

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the scheme liabilities. However, the scheme managers acknowledge that the valuation reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the *FReM*, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. HM Treasury advise the relevant rate each year, based on the advice of the Government Actuary's Department. The inflation assumption reflects the long term assumption for RPI used in Treasury forecasting. The rates are set out in the above table. Any decrease in the discount rate net of inflation leads to a significant increase in the reported liability.

In reality the complexity and range of assumptions underlying the calculation of pension liability are such that a change in one financial assumption is likely to have a knock-on effect on other financial assumptions. The scheme managers do not consider it useful to attempt to reflect the impact of any changes in the range of assumptions, since this would result in giving a range of inherently uncertain figures. In the opinion of the scheme managers, the actuary has used key assumptions that are the most appropriate for the scheme in the light of current knowledge.

Analysis of the provision for pension liability

Categories	At 31 March 2011 £bn	At 31 March 2010 £bn	At 31 March 2009 £bn	At 31 March 2008 £bn	At 31 March 2007 £bn
Pensions in Payment	2.79	3.02	2.36	2.41	2.40
Deferred Pensions	0.23	0.29	0.20	0.23	0.24
Active Members (Past Service)	3.92	4.54	3.01	3.74	4.22
Total	6.94	7.85	5.57	6.38	6.86

20.2 Pension scheme liabilities accrue over employee's periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the scheme liability, the Actuary must estimate the impact of several inherently uncertain variables far into the future. The variables include not only the key financial assumptions noted above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

20.3 The value of the liability included on the statement of financial position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The managers of the scheme accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in notes 20.8 and 20.9. The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

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20.4 Analysis of movements in the scheme liability

	Note	2010-11 £000	2009-10 £000
Scheme liability at 1 April		7,850,000	5,577,056
Current service cost	10	270,000	180,000
Past service cost	10	(690,000)	-
Interest on scheme liability	14	340,000	340,000
Enhancements	11	978	960
Pension transfers in	12	60,171	(2,334)
Benefits payable	20.5	(232,437)	(212,623)
Pension payments to and on account of leavers	20.6	(6,871)	4,599
Actuarial (gain)/loss	20.7	(651,842)	1,962,344
Adjustments		1	(2)
Scheme liability at 31 March		6,940,000	7,850,000

During the year ended 31 March 2011, employer contributions represented an average of 19.5% (2009-10: 18%) of pensionable pay. Any further amendment to contribution rates will be determined following the completion of the full Scheme valuation as at 31 March 2010, and will be implemented with effect from 1 April 2012.

20.5 Analysis of benefits paid

	2010-11 £000	2009-10 £000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	179,528	172,388
Commutations and lump sum benefits on retirement	52,909	40,235
Per combined cash flow statement	232,437	212,623

20.6 Analysis of payments to and on account of leavers

	2010-11 £000	2009-10 £000
Refunds to members leaving service	1,062	913
Group transfers to other schemes	639	(11,110)
Individual transfers to other schemes	5,170	5,598
Per combined cash flow statement	6,871	(4,599)

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20.7 Analysis of actuarial gain/(loss)

	2010-11 £000	2009-10 £000
Experience gains/(losses) arising on the scheme liabilities	180,000	(120,000)
Changes in assumptions underlying the present value of Scheme liabilities	471,842	(1,842,344)
Per Statement of Changes in Taxpayers Equity	651,842	(1,962,344)

20.8 History of experience (gains)/losses

	2010-11	2009-10	2008-09	2007-08	2006-07
Experience (gains)/losses on scheme liabilities:					
Amount (£000)	180,000	120,000	(270,000)	(310,000)	(107,000)
Percentage of the present value of the scheme liabilities	2.6%	1.5%	4.8%	4.9%	1.6%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£000)	(651,842)	1,962,344	(1,230,000)	(720,000)	1,426,000
Percentage of the present value of the scheme liabilities	9.4%	25.0%	22.1%	11.3%	20.8%

20.9 Sensitivity analysis

The actual liability will differ from the figures quoted to the extent that the underlying assumptions are not borne out in practice, and (if applicable) to the extent that the data provided proves to be inaccurate.

The key financial assumptions are the rate of return net of price inflation and the rate of return net of salary inflation. The key demographic assumption is members' longevity. The table below indicates the order of magnitude of changes to these assumptions on the scheme's liabilities:

Change in assumption	Approximate % change in the liabilities	Approximate change in liabilities
Decrease in the rate of return in excess of earnings of ½% per year	+ 3%	+£200 million
Decrease in the rate of return in excess of prices of ½% per year	+ 5%	+£350 million
Assumed longevity increased by one year age rating	+ 2%	+£140 million

If the change is in the opposite direction (i.e. if real interest rates are increased, or longevity decreased), the impact on the liabilities would be a reduction in value of the same approximate magnitude shown in the above table.

20.10 Life expectancy

Tables 1 and 2 show the life expectancy at age 60 and at age 65 respectively of pensioners retiring in normal health, under the mortality assumptions used for the 2009-10 and 2010-11 Resource Accounts.

Table 1

Life expectancy of normal health pensioners at age 60

	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010	As at 31 March 2010
	Men (years)	Women (years)	Men (years)	Women (years)
Current Pensioners	26.7	29.4	26.6	29.3
Future Pensioners*	29.0	31.8	28.9	31.7

* This table shows the life expectancy from age 60 for future pensioners currently aged 45.

Table 2

Life expectancy of normal health pensioners at age 65

	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010	As at 31 March 2010
	Men (years)	Women (years)	Men (years)	Women (years)
Current Pensioners	22.3	24.8	22.2	24.7
Future Pensioners*	24.5	27.1	24.4	27.0

* This table shows the life expectancy from age 65 for future pensioners currently aged 45.

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

21. Receivables – Non-supply

	2010-11 £000	2009-10 £000
Recoverable annual compensation payments	684	645
Recoverable lump sums	164	450
	848	1,095

Included with these figures is £Nil (2009-10: £Nil) that will be due to the Consolidated Fund once the debts are collected.

22. Payables – Non-supply

	2010-11 £000	2009-10 £000
Other payables (amounts falling due within one year)		
Compensation payments	13	4
	<u>13</u>	<u>4</u>

23. Financial instruments

As the cash requirements of the PCSPS(NI) are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector scheme of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the scheme’s expected purchase and usage requirements and the scheme is therefore exposed too little credit, liquidity or market risk.

24. Contingent liabilities disclosed under IAS 37

AVCs

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

25. Losses and special payments

During 2010-11, 127 pension over payments amounting to £5,331.93 were written off (2009-10; 147 pension overpayments amounting to £36,673.94 were written off). As no individual loss was greater than £250k and in accordance with section A.4.10.8 of Managing Public Money Northern Ireland, no further disclosure is required.

In 2009-10 formal approval was given for 978 pension overpayments amounting to £1,832,970.23, due to errors on the level of Guaranteed Minimum Pension (GMP), covering a number of years, to be written off.

26. Related-party transactions

The Pension Scheme and the Compensation Scheme fall within the ambit of the Department of Finance and Personnel, which is regarded as a related party with which the Schemes have had various material transactions during the year.

In addition, the Schemes have had material transactions with other government departments, and other central government bodies whose employees are members of the Schemes.

None of the Managers of the Schemes, key managerial staff or other related parties have undertaken any material transactions with the Schemes during the year.

27. Events after the reporting period

As outlined in note 2.21, the decision to uprate public service pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. This decision is currently

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before the courts in judicial review proceedings. The Government is robustly defending the case. The financial implications consequent on the review finding against the government have not been assessed.

The Accounting Officer authorised these financial statements for issue on 28 June 2011.