

Department of Finance and Personnel
Superannuation and Other Allowances Resource Accounts

For the year ended 31 March 2006

*Laid before the Houses of Parliament
By the Department of Finance and Personnel
In accordance with Paragraph 36 of the Schedule to the
Northern Ireland Act 2000 (Prescribed Documents) Order 2004*

15 November 2006

*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*

15 November 2006

Ordered by the House of Commons to be printed

15 November 2006

REPORT OF THE MANAGERS

Account for the year ended 31 March 2006

Introduction

The Principal Civil Service Pensions Scheme (Northern Ireland) (PCSPS(NI)) is an unfunded, non-contributory, defined-benefit 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 38,000 members and 23,500 pensioners, is applicable to all members of the Northern Ireland Civil Service plus some additional public sector bodies and offers a wide range of benefits.

Managers, Advisers and Employers

Managers

Accounting Officer
Mr John Hunter CB
DFP
Rathgael House
Balloo Road
BANGOR, BT19 7PR

Pension Scheme Administrator
Compensation Scheme Administrator
Mrs Catherine Gilchrist
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
Donegall Square West
BELFAST

Legal Advisers
Departmental Solicitor's Office
Victoria Hall
12 May Street
BELFAST, BT1 4NL

Auditor
NIAO
106 University Street
BELFAST, BT7 1EU

Employers

Principal Employer
All NICS Departments & Agencies

Additional Bodies
See Appendix 1

CHANGES TO THE SCHEME

From 1 October 2002, new pension arrangements were introduced which apply to most new entrants from that date and those existing members who were in post on or before 30 September 2002 and chose to join one of two new statutory based “final salary” defined benefit schemes (Premium and Classic Plus). Under the Premium and Classic Plus Scheme, benefits accrue at 1/60 of final pensionable earnings with no automatic lump sum. Contributions from employees are set at 3.5 per cent of pensionable earnings. In comparison, 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.

All pension benefits payable under Classic, Classic Plus or Premium are increased in line with increases to the Retail Price Index (RPI) annually.

In addition new entrants from 1 October 2002 may choose from either the Premium Scheme or a money purchase stakeholder based arrangement to which the employer contributes (Partnership Pension Account). 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%.

During the year, the following changes were made to the scheme:

Pensions were increased by 3.1% with effect from 11 April 2005.

The following changes were made to the rules of the 2002 and 1972 Sections of the scheme:

2002 Section

- pensionable earnings voluntary surrendered are now included in assumed pay with effect from 1 April 2005.
- the provisions relating to the aggregation of service where a person rejoins the PCS(S)(NI) within 6 months no longer apply if the person is receiving a pension or a lump sum in relation to his previous membership.
- the provisions relating to surviving spouses have been extended to surviving civil partners, but in relation to reserved joiners only in respect of service on and after 6th April 1988.
- the option to aggregate earlier periods of service in the 1972 section is no longer limited to members who left the 1972 section before 1st October 2002.
- the Department of Finance and Personnel’s determination of questions relating to the 2002 section shall be final.
- the definition of “relevant old reckonable service” has been amended in relation to reserved joiners whose gender changes.

1972 Section

- terms used in the 1972 Section have been amended to be consistent with terms used in the 2002 section.

- the provisions relating to surviving spouses have been extended to surviving civil partners, but in relation to reserved joiners only in respect of service on and after 6th April 1988.
- the requirement for written nomination forms to be sent to a member's department has been removed.
- the provisions in relation to the actuarial reduction of pension benefits for members with a reduced pension age due to reckoning of service overseas have been amended to reflect the provisions of the PCSPS in GB.
- the provisions relating to a member's options on being re-employed after being medically retired have been amended to specify what happens if the member does not exercise the option within one year of being re-employed.
- the provisions relating to a member's options on being re-employed when he had previously been awarded a preserved pension have been amended in relation to the time when an option can be exercised.
- the facility for buying added years by lump sum payment has been amended so that it is not available to a person whose pensionable service begins on or after 12th November 2005, unless the person returns from a period of unpaid leave in circumstances specified in the rules.

The bulk of the preparatory work on legislation to amend the scheme in compliance with the introduction of the HMRC's new tax regime was also carried out during the year.

The following represents the position in relation to bulk transfers completed or ongoing throughout the 2005-06 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 payment to be received in 2006/2007.
Agri-food and Biosciences Institute (AfBI)	Bulk Transfer In (Ongoing) Pension provision for staff employed in AfBI has been made in the PCSPS(NI) with effect from 1 April 2006. Transfer payment to be received in 2006/2007.
Police Service of Northern Ireland (PSNI)	Bulk Transfer In (Complete) – PSNI became part of PCSPS(NI) on 30/09/02. Transfer Payment was received in 2005.

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

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 (FSAVC) schemes. The Managers of the PCSPS(NI) have no responsibility in connection with such arrangements but have in place in-house arrangements with three AVC providers.

Standard Life has been formally appointed to the designated stakeholder pension provider for the PCSPS(NI) 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.

POST BALANCE SHEET EVENTS

No significant Post Balance Sheet Events have occurred.

DISCLOSURE TO AUDITORS

The Principal Accounting Officer, John Hunter, 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 Catherine Gilchrist

DFP

Civil Service Pensions

Waterside House

75 Duke Street

LONDONDERRY

BT47 6FP

MEMBERSHIP STATISTICS

Detail of the current membership of the Scheme is as follows:

Active Members

	Active Members at the start of the year	34,401
Add:	New entrants in the year	1,372
Less:	Retirements in the year	(616)
	Members leaving with deferred pensions	(261)
	Transfers out	(64)
	Death	(25)
	Other	(589)
	Active members at the end of the year	34,209

Deferred Members

	Deferred members at the start of the year	6,780
Add:	Members leaving who have deferred pension rights	669
Less:	Members taking up deferred pension rights (there may be deaths within this category, which will be reflected in the Pensions or Members figures, as their status is now historic).	(285)
	Transfers Out	(54)
	Deaths	(1)
	Deferred members at the end of the year	7,052

Pensioners in payment

	Pensioners at the start of the year:	- Members	17,824
		- Dependants	5,157
Add:	Members retiring in the year		901
	New retirees dependants		209
Less:	Pensioners who died/cessations/others in year		
		- Members	(462)
		- Dependants	(239)
	Pensioners at the end of the year:		
		- Members	18,144
		- Dependants	5,154

The figures in bold are definitive as they are position statements. However, due to the nature of the current HRMS system (staff details are reconciled on a real time basis), it is difficult to provide accurate information on the movement in these statistics during the year. As a result there are discrepancies in the above analysis; a discrepancy of 9 in the movement of active members, 57 in the movement of deferred pensioners and 92 in the movement of pensioners in payment. CSP is in the process of procuring a new system which should improve the supply of this type of information.

APPENDIX TO REPORT OF THE MANAGERS

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

EMPLOYMENT

1. **Museums**
Ulster Folk and Transport Museum
Ulster Museum
Northern Ireland Museums Councils
2. **Public Agencies and Commissions**
Labour Relations Agency
Equality Commission for Northern Ireland
Employment By the Northern Ireland Assembly Commission
Youth Justice Agency
3. **Public Offices**
Northern Ireland Economic Development Office
General Consumer Council for Northern Ireland
Invest NI
Economic Research Institute for Northern Ireland Limited
Office for the Commissioner for Children and Young People for Northern Ireland
4. **Other Employments**
Civilian Direct Recruits to the Police Service of Northern Ireland

OFFICES

1. **Assembly Offices**
Clerk to the Assembly
Clerk – Assistant to the Assembly
Second Clerk – Assistant to the Assembly
Fourth Clerk at the Table
Librarian
Assistant Librarian
Editor, Deputy Editor and Assistant
Editor of Official Reports of Debates
Reporter
2. **Office of the Planning Appeals Commission**
Chief Commissioner
Chief Professional Commissioner
Senior Professional Commissioner
Professional Commissioner
Principal Professional Commissioner
3. **Other Offices**
Chairman of the Labour Relations Agency
Chief Commissioner of the Equality Commission for Northern Ireland
Director General of Electricity Supply for NI
Chief Executive to the Mental Health Commission

REPORT OF THE ACTUARY

Accounts for the year ended 31 March 2006

A. The Scheme

The Principal Civil Service Pension Scheme (Northern Ireland), (PCSPS NI) is an unfunded public service scheme. Participating employers make contributions known as accruing superannuation liability charges (ASLCs). ASLCs are assessed regularly by the Scheme Actuary to be consistent with those which might have applied had the scheme been funded. These contributions include an allowance for amortised surpluses or deficits that would have arisen in a funded scheme.

B. Liabilities

The capitalised value as at 31 March 2006 of expected future benefit entitlements under the Principal Civil Service Pension Scheme (Northern Ireland), for benefits accrued in respect of employment (or former employment) prior to 31 March 2006, has been assessed using the methodology and assumptions set out in Sections D and E below. The results are as follows:

<u>Value of Liabilities</u>	<u>£ billion</u>
Pensions in Payment	1.954
Deferred Pensions	0.181
Active Members (Past Service)	<u>3.010</u>
Total	<u>5.145</u>

C. Accruing Costs

The total cost of benefits accruing in the year 2005-06 has been assessed using the methodology and assumptions set out in Sections D and E below. The cost of accruing benefits has been assessed as being 23.5% of pay. This includes an element of 0.25% as a contribution towards the administration costs of the scheme.

The actual contribution rate payable by the employer is separately assessed for each of four ranges of pay levels, based on full-time equivalent pay at the beginning of the financial year. The contribution rates payable by the employer during 2005-06, were as follows:

Employer's Share of Contribution Rate

Pay band from April 2005	% of Pensionable Pay Charged
£18,199 and below	16.5%
£18,200 to £37,099	17.5%
£37,100 to £80,199	21.5%
£80,200 and above	23.5%
Rate payable by the Prison Service for prison officers employed before May 1989 and entitled to enhanced benefits	24.0%

This contribution rate is generally lower than the cost of the accruing benefits shown above. This is because employer contribution rates are based on the accruing cost assessed by reference to the long term view of real investment yields whereas the accruing annual cost disclosed for accounts purposes is based on a short term view of market investment yields. At present, the short term market real yield is lower than the expected long term real yield, which results in a higher contribution rate being disclosed in the Scheme's accounts. The employers' contributions receivable are assessed as £134.8 million for financial year 2005-06. The corresponding figure for 2004-05 was £106.3 million.

D. Methodology

The value of the liabilities has been obtained by using the projected accrued benefits method, with allowance for expected future pay increases in respect of active members. The standard contribution rate for accruing costs has been determined using the projected unit method, with a control period of 3 years.

E. Assumptions

The principle financial assumptions adopted for the pension assessments made in relation to this statement are in accordance with the discount rate promulgated by the FRAB for pension purposes in the public sector in Great Britain. Until 2005, the discount rate in excess of price increases was prescribed as 3 ½% p.a. However, with effect from 1 April 2005, the discount rate for pension liabilities has fallen to 2.8% p.a. reflecting the fall in real yields experienced in the bond markets. The demographic assumptions adopted for this assessment are those adopted at the most recent valuation, with one exception. The exception is the mortality assumptions which, although based on the standard tables adopted at the most recent valuation, now make greater allowance for projected mortality improvement reflecting the continuing increases in longevity.

F. Notes

1) This Statement is based on the results of the actuarial valuation carried out as at 31 March 2003 and the full membership data available as at 31 March 2005, recalculated on a real yield of 2.8%. Approximate updating has been used for the subsequent financial year to reflect known changes that have occurred within the period from 31 March 2005 to 31 March 2006, based on the available data. The method assumes that the profile of the membership has remained stable within the period and the results should be viewed as a reasonable assessment of the order of magnitude of the liabilities, rather than a full actuarial assessment. The next detailed assessment of the liabilities will be made as at 31 March 2007.

2) The pension benefits taken into account in this assessment are those normally provided from the rules of the pension scheme, including retirement benefits, ill-health retirement benefits, and benefits applicable following the death of the member.

D G Ballantine
Fellow of the Faculty of Actuaries
Government Actuary's Department, London

June 2006

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 financial statements, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- Observe the accounts direction issued by the Department of Finance 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 financial statements on a going concern basis.

The Department of Finance and Personnel has appointed the Permanent Head of the Department, John Hunter, as the Principal Accounting Officer for the Principal Civil Service Pension Scheme (Northern Ireland). Bruce Robinson, who was appointed as Second Permanent Secretary in January 2006, has been appointed Additional Accounting Officer. 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 DFP and published in Government Accounting Northern Ireland.

STATEMENT ON INTERNAL CONTROL

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 *Government Accounting 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.

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.

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 2006 and up to the date of approval of the annual report and accounts of the Superannuation and Other Allowances Resource Account, and accords with DFP guidance.

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 Advisory Group and the Departmental Audit and Risk Committee.

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.

Training in the area of risk management was previously provided to managers; and following a review of Corporate Governance arrangements within the Department, and the production of a Departmental Policy and Framework Document for Risk Management, additional risk management training has been progressed during the 2005-06 financial year, and will continue during the 2006-07 financial year.

The risk and control framework

Risk management has been incorporated into the corporate planning and decision-making processes of the Department. During the 2005-06 year the Departmental Board endorsed the Department's Policy and Framework for Risk Management. The document 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 management 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 pre-determined weightings 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 by the Departmental Audit and Risk Committee at least three times a year. During the course of the year the Terms of Reference for the Departmental Audit and Risk Committee was updated and approved by the Departmental Board. The membership of the Committee was revised in line with the new Terms of Reference. Membership is by rotation of core directors and agency chief executives, with the Director of Corporate Services and the Treasury Officer of Accounts as permanent members. The Committee, which is chaired by an independent non-executive member of the Departmental Board, assesses the continued appropriateness of risks, and the means through which they are managed. Also, 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. In addition a separate year end stewardship statement specific to the PCSPS(NI) was completed for 2005-06. Mid-year reports are the vehicle for ensuring the continued maintenance of registers during the year.

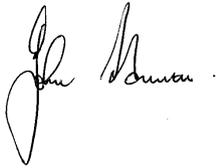
Review of effectiveness

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, the Audit 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:

- As a result of a Review of the Department's Corporate Governance arrangements in September 2004, a number of actions took place, including:
 - The membership and roles of the Departmental Board and Departmental Advisory Group were reviewed;
 - The appointment of two Non-Executive Directors to the Board from 1 April 2005; and
 - The production of a Business Diary to help inform the agenda for meetings of the Departmental Board;
- A further review of corporate governance, including the completion of self-assessment questionnaires was carried out during 2005-06. Recommendations from this review were approved by the Departmental Board on 6 March 2006 and work is currently under way to implement them;
- The Departmental Board which exercises authority at a corporate level within the Department and comprises the Accounting Officer, Additional Accounting Officer (who joined the Department in January 2006), the Chief Executive of the Valuation and Lands Agency, the Departmental Solicitor, the Personnel Director, the Finance Director and the senior managers within the core directorates. The Board is supported in an advisory and consultative capacity by the Departmental Advisory Group (DAG), comprising a wider group of senior managers, including Chief Executives of the Department's executive agencies. During the year the Departmental Board met separately on 11 occasions and DAG on 3 occasions. This was augmented by a series of weekly and ad-hoc meetings attended by key senior staff, including meetings of the Senior Managers Forum;
- The Department has a properly constituted Departmental Audit and Risk Committee which meets at least three times a 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. From July 2005 the Departmental Audit and Risk Committee has been chaired by a non-executive member of the Departmental Board;
- The Department's Internal Audit Unit, which is independent from executive responsibilities and has a direct line of reporting to the non-executive chair of the Audit Committee, operates to standards defined in the Government Internal Audit Manual. 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. Internal Audit also incorporates reviews of corporate governance arrangements in periodic plans. An Internal Audit Review of Corporate Governance commenced towards the end of the 2005-06 financial year, and a draft report issued 19th May 2006. This report, while still to be finalised, indicates that they are satisfied that the Department is in compliance with the relevant guidance and is generally complying with best practice.
- The integrated business planning application incorporating risk management functionality introduced last year is currently being reviewed and upgraded.

In the Department's 2005-06 Annual Assurance Statement, the Head of Internal Audit concluded that, overall, a substantial level of assurance can be placed on DFP internal control systems. While no significant internal control problems were identified, some individual issues were highlighted for improvement and the Department has agreed to redress these concerns expeditiously.

A handwritten signature in black ink, appearing to read 'John Hunter', with a large, stylized initial 'J'.

John Hunter

JOHN HUNTER
Accounting Officer
Department of Finance & Personnel

Date: 9 October 2006

Principal Civil Service Pension Scheme (Northern Ireland)

The Certificate of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements of the Principal Civil Service Pension Scheme (Northern Ireland) for the year ended 31st March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Revenue Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement 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

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, the Annual Report is not consistent with the Actuary's Report, if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 12 to 15 reflects the Department's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Managers and the Report of the Actuary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test

basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the Scheme for the year ending 31st March 2006, the net resources, the net outgoings, recognised gains and losses and the cash requirement for the year and the amount and disposition at that date of its assets and liabilities, and have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel;
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



**JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU**

11 October 2006

SUPERANNUATION AND OTHER ALLOWANCES RESOURCE ACCOUNT

STATEMENT OF PARLIAMENTARY SUPPLY

Summary of Resource Outturn 2005-06

		2005-06							2004-05
Request for Resources	Note	ESTIMATE			OUTTURN				OUTTURN
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total outturn compared with Estimate: saving/ (excess)	Net Total
		£000	£000	£000	£000	£000	£000	£000	£000
Providing for the payment of pensions and lump sum benefits to those covered by the Principal Civil Service Pension Scheme									
DEL: Redundancy and early retirement costs to former Civil Servants, part of which are funded by HMT									
		4,540	4,022	518	4,318	4,022	296	222	(37)
AME: Pensions, lump sums and gratuities									
		527,000	176,000	351,000	455,264	164,530	290,734	60,266	255,253
Non-budget: Effect of change in the discount rate									
		800,000	-	800,000	564,000	-	564,000	236,000	-
Total Resources	3	1,331,540	180,022	1,151,518	1,023,582	168,552	855,030	296,488	255,216

Summary of net cash requirement 2005-06

		2005-06			2004-05
Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/ (excess)	Outturn	
					£000
Net cash requirement	4	4,000	-	4,000	35,167

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)

Note	Forecast 2005-06		Outturn 2005-06		
	Income	Receipts	Income	Receipts	
		£000	£000	£000	£000
Total	5	-	-	73,130	73,493

The notes on pages 23 to 45 form part of these accounts.

Explanation of the variation between Estimate and Outturn:

The variance between AME outturn and Estimate of £60.3m arose largely as a result of the impact of the change in discount rate on current service costs and interest on scheme liabilities being less than forecast.

The variance in the non-budget resource provision of £236m arose as the impact of the overnight increase in the size of pension liabilities, due to the change in the discount rate from 3.5% to 2.8% at 1 April 2005, was less than forecast.

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

A cash transfer of £85m was received in December 2005 following the absorption of civilian staff in the Police Service of Northern Ireland (PSNI) into the Northern Ireland Civil Service as at 1 April 2004. The Spring Supplementary Estimate net cash requirement of £4m reflected the amount, in excess of the contributions receivable, required from the NI Consolidated Fund to support the operation of the Scheme in advance of this receipt. Excess cash subsequently generated by this transfer has been surrendered to the Consolidated Fund, resulting in a nil net cash requirement for the financial year.

The notes on pages 23 to 45 form part of these accounts.

SUPERANNUATION AND OTHER ALLOWANCES RESOURCE ACCOUNT

COMBINED REVENUE ACCOUNT For the year ended 31 March 2006

	Note	2005-06 £000	2004-05 £000
Principal Arrangements - Principal Civil Service Pension Scheme (NI)			
Income			
Contributions receivable	7	148,087	112,825
Transfers in	8	11,282	75,239
Other pension income	9	5,238	4,600
		164,607	192,664
Outgoings			
Pension cost	10 & 20.5	(180,000)	(150,000)
Enhancements	11	(761)	(750)
Transfers in	12	(11,282)	(75,239)
Injury benefits	13	(221)	(264)
Interest on scheme liabilities	14 & 20.5	(263,000)	(221,000)
		(455,264)	(447,253)
Net outgoings for the Year		(290,657)	(254,589)
Agency Arrangements - Civil Service Compensation Scheme (NI)			
Benefits payable	15	22	304
Net outgoings for the Year		22	304
Combined net outgoings for the Year	3	(290,635)	(254,285)

Combined Statement of Recognised Gains and Losses For the year ended 31 March 2006

	2005-06 £000	2004-05 £000
Actuarial (gain)/loss	(39,000)	413,494
Adjustment for effects of change in the discount rate	564,000	-
Recognised gains and losses for the financial year	525,000	413,494

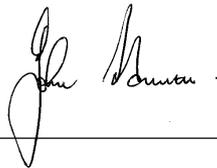
The notes on pages 23 to 45 form part of these accounts.

**SUPERANNUATION AND OTHER ALLOWANCES
RESOURCE ACCOUNT**

**COMBINED BALANCE SHEET
as at 31 March 2006**

	Note	2006 £000	2005 £000
Principal arrangements - Principal Civil Service Pension Scheme (NI)			
Current Assets:			
Debtors	17	27,918	86,619
Cash at bank and in hand	18	-	-
		27,918	86,619
Creditors (amounts falling due within one year)	19	(20,938)	(11,718)
Net current assets, excluding pension liability		6,980	74,901
Pension liability	20.5	(5,145,354)	(4,324,351)
Net liabilities, including pension liabilities		(5,138,374)	(4,249,450)
Agency arrangements - Civil Service Compensation Scheme (NI)			
Debtors	21	711	607
Creditors (amounts falling due within one year)	22	(419)	(82)
Net current assets		292	525
Creditors (amounts falling due after more than one year)	22	-	(5)
Provisions for liabilities and charges	23	(143)	(559)
Net assets/(liabilities)		149	(39)
Combined schemes - Total net liabilities		(5,138,225)	(4,249,489)
Taxpayers' equity:			
General Fund	24	(5,138,225)	(4,249,489)
		(5,138,225)	(4,249,489)

Signed: _____



Accounting Officer

Date: _____

9 October 2006

The notes on pages 23 to 45 form part of these accounts.

**SUPERANNUATION AND OTHER ALLOWANCES
RESOURCE ACCOUNT**

**COMBINED CASH FLOW STATEMENT
for year ended 31 March 2006**

	Note	2005-06 £000	2004-05 £000
Net cash inflow/(outflow) from operating activities	25a	53,742	(17,714)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(57,931)	(14,003)
Financing	25b	4,189	31,717
		-----	-----
Increase/(Decrease) in cash in the period	25c	-	-
		-----	-----

The notes on pages 23 to 45 form part of these accounts.

SUPERANNUATION AND OTHER ALLOWANCES RESOURCE ACCOUNT

NOTES TO THE SCHEME STATEMENT

Annual Report and Accounts 2005-06

1. Basis of preparation of the scheme statement

The combined scheme statements have been prepared in accordance with the relevant provisions of the 2005-06 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel, which reflect the requirements of Financial Reporting Standard (FRS) 17 *Retirement Benefits*. 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 UK 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.

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 balance sheet shows the deficit on the scheme; the Revenue Account shows, inter alia, 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 statement 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. However, they do recognise the liabilities arising from the central funding of compensation payments which amount to some £143k (2004-05: £559k) (see note 23) and any amounts that have been pre-funded or prepaid by employers £5k (2004-05: £87k) (see note 22).

2. Statement of accounting policies

The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK 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 modified to account for the revaluation of any current asset investments.

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 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 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 currently based on a discount rate of 2.8% real (i.e. 5.4% including inflation), and is recognised in the Revenue Account.

2.6 *Past service cost*

The past service cost is the increase 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, or improvement 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 a discount rate of 2.8% real (i.e. 5.4% including inflation), and is recognised in the Revenue Account.

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 accrued benefits method, with allowance for expected future pay increases in respect of active members, and is discounted at 2.8% real (i.e. 5.4% after 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.

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 are accounted for on an accruals basis. The recurring element is funded through the normal pension contributions and is a charge on the pension provision. The non-recurring element is a charge to the Revenue Account.

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 Statement of Recognised Gains and Losses for the year.

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 Central funding of compensation payments

Some employers receive central funding support of up to 80% of the on-going compensation payments made to their former employees who left between 1 October 1994 and 30 March 1997. This support will continue until the former employees reach normal retirement age (normally age 60). At that stage, compensation payments will be replaced by pension payments payable under the rules of the Principal Civil Service Pension Scheme (Northern Ireland).

The liabilities for central funding are recognised in the Balance Sheet as a provision.

2.19 Pre-funding arrangements for compensation payments

Under arrangements, which were discounted with effect from 1 April 2000, some employers were able to make cash payments to pre-fund compensation payments payable to their former employees in the forthcoming years. These amounts, which were subsequently surrendered to the Consolidated Fund, have been allocated for use in each financial year up to and including 2006-07.

Amounts received from employing Departments to reduce or extinguish their liabilities in respect of compensation payments are accounted for on an accruals basis.

Amounts relating to future periods are deferred and released to the Revenue Account over the relevant periods.

2.20 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 2005-06, an amount of £1,515,788 was appropriated in aid of the Department of Finance and Personnel in respect of PCSPS(NI) administration expenses.

3. Reconciliation of Estimates, accounts and budgets

3(a) Reconciliation of net resource outturn to combined net outgoings			2005-06	2004-05	
			£000	£000	
			Outturn compared with		
	Note	Outturn	Supply Estimate	Estimate Outturn	
Net Resource Outturn		855,030	1,151,518	296,488	255,216
Adjustment for effects of change in the discount rate		(564,000)	(800,000)	(236,000)	-
Prior Period Adjustments		-	-	-	-
Non-supply Income (CFERs)	5	(395)	-	395	(931)
Combined Net Outgoings		290,635	351,518	60,883	254,285

3(b) Outturn against final Administration Budget			2005-06	2004-05
			£000	£000
		Budget	Outturn	Outturn
Voted in Estimates		351,518	291,030	255,216
Total outturn against final Administration Budget		351,518	291,030	255,216

The adjustment of £564m reflects the difference between the Estimates and accounting treatment of the change in the discount rate from 3.5% to 2.8% with effect from 1 April 2005. Parliamentary approval was given for the necessary resources, and was reflected as a non-budget item in the Estimates and in the Statement of Parliamentary Supply.

For accounting purposes, the effects of the change in discount rate are reflected through reserves and not recognised in the Combined Revenue Account. There is thus a difference between the bases on which the Statement of Parliamentary Supply and the Combined Revenue Account have been prepared. For 2006-07, the Estimates and the accounting treatment will be brought into line.

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(a)	1,151,518	855,030	296,488
Accruals adjustments				
Non-cash Items - movement in provision	20.5	(527,000)	(455,043)	(71,957)
Other non-cash Items		(800,000)	(564,029)	(235,971)
Changes in working capital other than cash		(47,018)	(68,154)	21,136
Changes in creditors falling due after more than one year	22	-	5	(5)
Use of provision:				
Pension	20.6 & 20.7	162,500	159,040	3,460
Central funding	23	-	416	(416)
Excess cash receipts surrenderable to the Consolidated Fund	5	64,000	72,735	(8,735)
Net Cash Requirement		4,000	-	4,000

5. Analysis of income payable to the Consolidated Fund

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

Note	Income	Forecast	Outturn	
		2005-06 £000	Income	Receipts
Operating income and receipts - excess Ars	-	-	301	<i>664</i>
Other operating income and receipts not classified as Ars	-	-	94	<i>94</i>
	-	-	395	<i>758</i>
Non-operating income and receipts - excess Ars	-	-	-	-
Other non-operating income and receipts not classified as Ars	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	64,000	<i>64,000</i>	72,735	<i>72,735</i>
Total income payable to the Consolidated Fund	64,000	<i>64,000</i>	73,130	<i>73,493</i>

6. Reconciliation of income recorded within the Revenue Account to operating income payable to the Consolidated Fund

	Note	2005-06 £000	2004-05 £000
Principal Civil Service Pension Scheme (NI)			
Operating income		164,607	192,664
Adjustments for transactions between RfRs		-	-
Gross income		164,607	192,664
Income authorised to be accruing resources		164,530	192,000
Operating income payable to the Consolidated Fund		77	664
Civil Service Compensation Scheme (NI)			
Operating income		4,340	3,886
Adjustments for transactions between RfRs		-	-
Gross income		4,340	3,886
Income authorised to be accruing resources		4,022	3,619
Operating income payable to the Consolidated Fund		318	267
Operating income payable to the Consolidated Fund	5	395	931

Revenue account – principal arrangements: Principal Civil Service Pension Scheme (NI)

7. Pension contributions receivable

	2005-06 £000	2004-05 £000
Employers	133,286	99,031
Employees:		
Normal	14,040	13,044
Purchase of added years	761	750
	148,087	112,825

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

	2005-06 £000	2004-05 £000
Group transfers in from other schemes	7,019	71,848
Individual transfers in from other schemes	4,263	3,391
	11,282	75,239

9. Other pension income

	2005-06 £000	2004-05 £000
Amounts receivable in respect of:		
Transfer In Interest charge	4,441	4,600
Pension and lump sum premiums recoverable from employers	797	-
	<u>5,238</u>	<u>4,600</u>

10. Pension Cost

	Note	2005-06 £000	2004-05 £000
Current Service Cost	20.5	180,000	150,000
		<u>180,000</u>	<u>150,000</u>

11. Enhancements (see also note 20.5)

	2005-06 £000	2004-05 £000
Employees:		
Purchase of added years	761	750
	<u>761</u>	<u>750</u>

12. Transfers in (see also note 8)

	2005-06 £000	2004-05 £000
Group transfers in from other schemes	7,019	71,848
Individual transfers in from other schemes	4,263	3,391
	<u>11,282</u>	<u>75,239</u>

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the Revenue account as expenditure as part of the movements in the provision during the year.

13. Injury benefits

	2005-06 £000	2004-05 £000
Injury Benefits payable	221	264
Less: recoverable from employers	-	-
	<hr/> 221	<hr/> 264

Injury benefits are accounted for on an accruals basis. The recurring element is funded through the normal pension contributions and is a charge on the pension provision. The non-recurring element is a charge to the Revenue Account.

14. Interest on scheme liabilities (see also note 20.5)

	2005-06 £000	2004-05 £000
Interest charge for the year	263,000	221,000
	<hr/> 263,000	<hr/> 221,000

Revenue account – agency arrangements with the Civil Service Compensation Scheme (NI)

15. Compensation benefits payable

15.1 The following amounts represent annual compensation payments payable to former employees, but which are not recoverable from employers. They are brought to account in the Revenue Account.

	2005-06 £000	2004-05 £000
Credit to the Revenue Account due to timing differences in the recognition of compensation income	(3)	(252)
Discounts allowed in pre-funded annual compensation payments (note 15.2)	(6)	(8)
End-year revaluation of central funding provision	-	-
Central funding - difference between provision for current year and outturn expenditure (note 15.2)	(13)	(44)
	(22)	(304)

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

	2005-06 £000	2004-05 £000
Recoverable from employers (cash flow statement)	2,481	3,350
Pre-funded by employers (note 22)	82	192
Discounts allowed on pre-funding (note 15.1)	(6)	(8)
Amounts met from central funding:		
Use of provision (note 23)	416	657
Borne by compensation scheme (note 15.1)	(13)	(44)
Total annual compensation payable	2,960	4,147
Lump sums payable recoverable from employers	1,358	92
Total lump sums payable	1,358	92

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 the payments made to 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 the account and the movements in the year.

16.2 The aggregate amounts of AVC investments are as follows:

Movements in the year	2005-06	2004-05
	£000	£000
The Equitable Life Assurance Policy		
Balance as at 06 April	1,302	1,830
Contributions received	61	102
Life Assurance Premiums	(35)	(37)
Retirement Benefits	(61)	(85)
Leavers (transfers and withdrawals)	(56)	(607)
Payment for death and refunds	(1)	-
Contributions received but not yet used to purchase benefit	(1)	-
Changes in Market Value of Investments	89	99
Value of fund at 5 April	1,298	1,302
Scottish Widows		
Balance as at 06 April	4,642	4,175
Contributions received	442	780
Benefits Settled	(80)	(542)
Changes in Market Value of Investments	465	229
Balance as at 5 April	5,469	4,642
Standard Life		
Balance as at 06 April	1,060	581
Contributions received	138	486
Changes in Market Value	238	66
Sales of Investments to Provide Benefits	-	(73)
Value of Fund at 31 March	1,436	1,060
Surrender Value Adjustment (notional)*	4	(14)
Net Asset Value as at 5 April	1,440	1,046

*The difference between the closing balance in 2004-05 and the opening balance in 2005-06 relates to the surrender value adjustment. 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 decreased from (£14,007.10) to an addition of £4,010.61 in the last year.

Balance Sheet: Principal arrangements – Principal Civil Service Pension Scheme (NI)

17. Debtors – contributions due in respect of pensions

17(a) Analysis by type	2005-06 £000	2004-05 £000
Amounts falling due within one year:		
Pension contributions due from employers	12,950	9,164
Employees' normal contributions	1,214	1,068
Contributions for employees' added years	60	65
Group transfers	-	76,000
Overpaid Pensions	169	133
Other Debtors	673	-
Inter-Departmental Balance	12,852	-
Amounts due from Consolidated Fund in respect of supply	-	189
	27,918	86,619

Included within these figures is £Nil (2004-05: £664,414) that will be due to the Consolidated Fund once the debts are collected.

17(b) Intra-Government Balances	Amounts falling due within one year		Amounts falling due after more than one year	
	£000		£000	
	2005-06	2004-05	2005-06	2004-05
Balances with other central government bodies	27,426	86,348	-	-
Balances with local authorities	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	492	271	-	-
At 31 March	27,918	86,619	-	-

18. Cash at bank and in hand

	2005-06 £000	2004-05 £000
Balance at 1 April	-	-
Net change in cash balances	-	-
Balance at 31 March	-	-
The following balances at 31 March were held at:		
Office of HM Paymaster General	-	-
Commercial banks and cash in hand	-	-
Balance at 31 March	-	-

19. Creditors – in respect of pensions

19(a) Analysis by type	2005-06 £000	2004-05 £000
Amounts falling due within one year:		
Pensions	1,066	582
Injury benefits	33	-
Group transfer pre-payment	-	2,741
Other creditors	27	564
Inter Departmental balance	-	6,900
Amounts issued from the Consolidated Fund for supply but not spent at year end	4,000	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
Received	77	267
Receivable	-	664
Excess cash receipts surrenderable to the Consolidated Fund	15,735	-
	20,938	11,718

19(b) Intra-Government Balances	Amounts falling due within one year £000		Amounts falling due after more than one year £000	
	2005-06	2004-05	2005-06	2004-05
Balances with other central government bodies	19,839	11,149	-	-
Balances with local authorities	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	1,099	569	-	-
At 31 March	20,938	11,718	-	-

20. Provisions for pension liabilities

20.1 The Principal Civil Service Pension Scheme (NI) is an unfunded defined benefit scheme. An interim actuarial valuation was carried out as at 31 March 2005 by the Government Actuaries Department; this valuation was reviewed and updated by the actuary at 31 March 2006. The major assumptions used by the Actuary were:

	At 31 March 2006 %	At 31 March 2005 %	At 31 March 2004 %
Real Investment yield in excess of annual earnings increases	1.3	2.0	2.0
Real investment yield in excess of annual prices increases	2.8	3.5	3.5
Gross yield earned on future investments	5.37	6.0	8.5

20.2 The scheme managers are responsible for providing the Actuary with the information the Actuary needs to carry out the valuation. This information includes, but is not limited to, details of:

- Scheme membership, including age and gender profile, 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 or 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.

20.3 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 in the table 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.

20.4 The value of the liability included on the balance sheet 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.

20.5 Analysis of movements in the scheme liability

	Note	2005-06 £000	2004-05 £000
Scheme Liability at 1 April		4,324,351	3,609,554
Adjustment for effects of change in the discount rate	3a	564,000	-
Revised Scheme Liability at 1 April		4,888,351	3,609,554
Current Service cost	10	180,000	150,000
Interest on scheme liability	14	263,000	221,000
Enhancements	11	761	750
Pension transfers in	12	11,282	75,239
Benefits payable	20.6	(153,131)	(142,367)
Pension payments to and on account of leavers	20.7	(5,909)	(3,318)
Actuarial (gain) / loss	20.8	(39,000)	413,494
Scheme liability at 31 March		5,145,354	4,324,351

During the year ended 31 March 2006, contributions represented an average of 20.6% of pensionable pay. Any amendment to contributions rates will be determined following the next full Scheme valuation as at 31 March 2007, and will be implemented with effect from 1 April 2008.

20.6 Analysis of benefits paid

	2005-06 £000	2004-05 £000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	129,104	118,628
Commutations and lump sum benefits on retirement	24,027	23,739
Per cash flow statement	153,131	142,367

20.7 Analysis of payments to and on account of leavers

	2005-06 £000	2004-05 £000
Refunds to members leaving service	769	564
Group transfers to other schemes	-	-
Individual transfers to other schemes	5,140	2,754
Per cash flow statement	5,909	3,318

20.8 Analysis of Actuarial gain / (loss)

	2005-06 £000	2004-05 £000
Experience gain/(loss) arising on the scheme liabilities	39,000	(168,494)
Changes in assumptions underlying the present value of scheme liabilities	-	(245,000)
Per Statement of Recognised Gains and Losses	39,000	(413,494)

20.9 History of Experience (gains) / losses

	2005-06 £000	2004-05 £000	2003-04 £000	2002-03 £000
Experience (gains)/losses on scheme liabilities				
Amount (£000)	(39,000)	168,494	22,000	(23,000)
Percentage of the present value of the scheme liabilities	0.8%	3.9%	0.6%	0.7%
Total amount recognised in statement of total recognised gains and losses				
Amount (£000)	(39,000)	413,494	(22,462)	42,000
Percentage of the present value of the scheme liabilities	0.8%	9.6%	0.6%	(1.2%)

Balance Sheet – Agency arrangements: Civil Service Compensation Scheme (NI)

21. Debtors – Non-supply

	2005-06 £000	2004-05 £000
Recoverable annual compensation payments	316	317
Recoverable lump sums	395	290
	711	607

Included with these figures is £300,505.84 (2004-05: £Nil) that will be due to the Consolidated Fund once the debts are collected.

22. Creditors – Non-supply

	2005-06 £000	2004-05 £000
Annual compensation payments pre-funded by employers		
Balance at 1 April	87	279
Amount used to offset liabilities (note 15.2)	(82)	(192)
Balance at 31 March	5	87
To be used in next 12 months	5	82
To be used in more than 12 months	-	5

	2005-06 £000	2004-05 £000
Other creditors (amounts falling due within one year)		
Compensation payments	96	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
Received	17	-
Receivable	301	-
	414	-

23. Provisions for liabilities and charges – central funding of early retirement benefits

Provision has been made to recognise that the compensation scheme has a liability to make payments on behalf of employers in respect of former employees who left between 1 October 1994 and 30 March 1997. This support will continue until the former employees reach normal retirement age, at which point compensation payments will be replaced by pension payments payable under the rules of the PCS(PSNI). Central funding will cease in the financial year 2006-07. The future liabilities are estimated by Civil Service Pensions at £142,799.51 (2004-05 £558,578.06) based on projected costs and numbers supplied by employers.

	2005-06 £000	2004-05 £000
Balance at 1 April	(559)	(1,216)
Use of provision in-year (note 15.2)	416	657
Balance at 31 March	(143)	(559)

24. General Fund

The General Fund represents the total assets less liabilities of the pension scheme, to the extent that the total is not represented by other reserves and financing items.

	2005-06 £000	2004-05 £000
Balance at 1 April	4,249,489	3,608,968
Net Parliamentary Funding		
Drawn down	(4,000)	(28,000)
Deemed	-	-
Year end adjustment		
Supply Creditor/(Debtor) - current year	4,000	(189)
Excess Vote - prior year	-	-
Net Transfer from Operating Activities		
Combined Net Outgoings	290,635	254,285
CFERS repayable to Consolidated Fund	395	931
Cancelled payable orders	(29)	-
Excess cash paid/payable to the Consolidated Fund	72,735	-
Actuarial gains and losses (STRGL)	(39,000)	413,494
Effects of change in the discount rate	564,000	-
Balance at 31 March	5,138,225	4,249,489

Notes to the Cash Flow Statement

25(a) Reconciliation of combined net outgoings to operating cash flows

	Note	2005-06 £000	2004-05 £000
Combined net outgoings for the year		(290,635)	(254,285)
Adjustments for non-cash transactions		29	-
Decrease/(Increase) in Debtors - principal arrangements		58,701	(64,360)
<i>less movements in debtors relating to items not passing through the revenue account</i>		(189)	(3,528)
(Increase) in Debtors - agency arrangements		(104)	(438)
<i>less movements in debtors relating to items not passing through the revenue account</i>		-	-
(Decrease) in Creditors: pensions			
Short-term creditors		9,220	(8,630)
Increase/(Decrease) in Creditors: compensation scheme			
Short-term creditors		337	(110)
<i>less movements in creditors relating to items not passing through the revenue account</i>		(19,199)	13,072
(Decrease) in long-term Creditors	22	(5)	(82)
Increase in pension provision	20.5	443,000	371,000
Increase in pension provision - enhancements and transfers in	20.5	12,043	75,989
Use of provisions - pension liability	20.6	(151,420)	(140,146)
Use of provisions - refunds and transfers	20.7	(5,909)	(3,318)
Use of provisions - death in service	20.6	(1,711)	(2,221)
Use of provisions - central funding arrangements	23	(416)	(657)
Net cash inflow/(outflow) from operating activities		53,742	(17,714)

25(b) Analysis of financing and reconciliation to the net cash requirement

	Note	2005-06 £000	2004-05 £000
From the Consolidated Fund (Supply) - current year		4,000	28,000
From the Consolidated Fund (Supply) - prior year		189	3,717
Net financing		4,189	31,717
Adjustments for payments and receipts not related to Supply			
Compensation agency payments made on behalf of employers	15	(2,481)	(3,350)
Reimbursement of compensation payments made by employers	15	2,481	3,350
Lump sum payments made on behalf of employers	15	(1,358)	(92)
Reimbursement of lump sum made by employers	15	1,358	92
Amounts due to the Consolidated Fund received in a prior year and paid over		(267)	(974)
Amounts due to the Consolidated Fund received and not paid over		94	267
Excess cash surrenderable to the Consolidated Fund		15,735	-
Movement related to funding through interdepartmental balance		(19,751)	4,157
Net cash requirement per Statement of Parliamentary Supply		-	35,167

25(c) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	2005-06 £000	2004-05 £000
Net cash requirement	-	35,167
From the Consolidated Fund (Supply) - current year	(4,000)	(28,000)
From the Consolidated Fund (Supply) - prior year	(189)	(3,717)
Amounts due to the Consolidated Fund received and not paid	(94)	(267)
Excess cash receipts surrenderable to the Consolidated Fund	(15,735)	-
Movement related to funding through interdepartmental balance	19,751	(4,157)
Amounts due to the Consolidated Fund received in a prior year and paid over	267	974
Increase/(Decrease) in cash	-	-

26. Financial Instruments

FRS 13 *Derivatives and Other Financial Instruments* requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which government departments are financed, the Principal Civil Service Pension Scheme (NI) is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies.

Liquidity risk

Resources voted by Parliament finance the net revenue resource requirements of the Principal Civil Service Pension Scheme (NI). The Principal Civil Service Pension Scheme (NI) is not therefore exposed to significant liquidity risks.

Interest Rate risk

All of the Scheme's financial assets and liabilities carry nil or fixed rates of interest. The Scheme is not therefore exposed to any interest rate risk.

27. Contingent Liabilities disclosed under FRS 12

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.

28. Losses and special payments

Total losses were less than **£250k** for 05-06. In accordance with DAO (DFP) 10/05, no further disclosure is required.

29. 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. During the year, the Schemes have had material transactions with the Department and other departments, executive Agencies and trading funds 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.

30. Intra-Government Balances

In 2005-06 all receipts and expenditure for both the Department of Finance and Personnel and the PCSPS(NI) were processed through a shared bank account.

The balance on this bank account, which reflects the transactions of both parliamentary votes, is disclosed in the Department of Finance and Personnel's Resource Account. A corresponding inter-departmental balance on both the Department of Finance and Personnel's resource account and the PCSPS(NI) Resource Account reflects the amounts outstanding at the year-end as a result of this arrangement.

