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**Northern Ireland Judicial Pension Scheme  
Annual Report and Accounts  
For the year ended 31 March 2017**

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

*28 June 2017*

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## **ACCOUNTABILITY**

The Accountability section of the Annual Report outlines how the Pension Scheme meets its key accountability requirements to the Assembly and ensures best practice with corporate governance norms and codes. The two sub-sections within the Accountability Report are outlined below.

### **i Corporate Governance Report**

The purpose of this section is to explain the composition and organisation of the Pension Scheme's governance structures and how they support the achievement of its objectives.

As a minimum, the corporate governance report must include:

- Report of the Managers;
- Report of the Actuary;
- Statement of Accounting Officer's Responsibilities; and
- Governance Statement.

### **ii Assembly Accountability and Audit Report**

This section brings together the key Assembly accountability documents within the Annual Report and Accounts. It comprises:

- Statement of Assembly Supply and supporting notes;
- Regularity of expenditure;
- Assembly accountability disclosures; and
- Certificate and Report of the Comptroller and Auditor General to the Assembly.

## **CORPORATE GOVERNANCE REPORT**

### **REPORT OF THE MANAGERS**

#### **Background to the Scheme**

##### ***Statutory basis for the Scheme***

The Northern Ireland Judicial Pension Scheme ('the Scheme') was established on 1 April 2015 by the Department of Justice to make pension provision for devolved judicial office holders. The establishment of the Scheme was driven by wider public service pension reform following the publication of the final report of the Independent Public Service Pensions Commission in March 2011 which included the recommendations that government should:

- replace final salary pension schemes with new career average schemes; and
- link members' pension age to state pension age in new schemes.

Subsequently, the *Public Service Pensions Act (Northern Ireland) 2014* provided the statutory framework for the establishment of reformed public service pensions in Northern Ireland for the devolved (mainly tribunal) judiciary. This Act names the Department of Justice as the Responsible Authority for making scheme regulations for holders of judicial office.

The *Judicial Pensions Regulations (Northern Ireland) 2015* appointed the Department of Justice as the Scheme Manager responsible for managing and administering this new career average judicial pension scheme.

The previous final salary judicial pension scheme, provided for by the *Judicial Pensions and Retirement Act 1993 (JUPRA)*, continues to be administered by the Ministry of Justice (MOJ).

##### ***Eligibility to join the Scheme***

The *Public Service Pensions Act (Northern Ireland) 2014 (Judicial Offices) Order (Northern Ireland) 2015* specifies the judicial offices for which pension provision is made in the Scheme.

A judge is eligible to join the Scheme if he or she was:

- first appointed to an eligible judicial office after 1 April 2012;
- in eligible service at 1 April 2012, and at that date under 51 years 6 months; or
- in eligible service at 1 April 2012, and at that date under the age of 55, and has reached the end of any period of tapering protection.

Membership of the Scheme includes both salaried and fee-paid devolved judicial office holders.



**Main features of the Scheme, including benefits and how they are funded**

The key elements of the Scheme are:

- a pension scheme design based on career average accrual model;
- no restriction on the number of accruing years in service;
- an accrual rate of 2.32% of pensionable earnings each year;
- revaluation of active, deferred and retired scheme members' benefits in line with the index set under the *Pensions (Increase) Act (Northern Ireland) 1971* (currently in line with the Consumer Prices Index [CPI]);
- Normal Pension Age linked to State Pension Age;
- Scheme is registered for tax purposes;
- optional tax-free lump-sum commutation at a rate of 12:1, subject to limits and regulations set by HM Revenue and Customs (HMRC); and
- pension for surviving adults of 37.5% of the member's pension, and pensions for eligible children.

*Pension benefits*

The Scheme is a career average pension scheme. Every Scheme year, members will bank an amount of pension in their individual pension account at a rate of 2.32% of their pensionable earnings in that Scheme year. For full-time salaried members of the judiciary, and those on salaried part-time working arrangements, pensionable earnings will equate to their actual salary in that Scheme year. A judge's final pension is then made up of the amounts banked each Scheme year, with index-linking applied.

*Annual revaluation (index-linking) of benefits*

The value of a member's pension is maintained by applying index-linking annually. The rate of indexation applies to all Scheme members, be they active, deferred or retired. There is nothing in the legal framework that guarantees increases by reference to a particular index. The Scheme, like other public service schemes, will apply the increase as directed by an order made by the Department of Finance (DoF). The DoF order sets the rate as equivalent to the Consumer Prices Index (CPI) - a measure of inflation calculated by the Office for National Statistics. The revaluation will occur at the beginning of each subsequent Scheme year, i.e. April. The Scheme rules do not set out the method of revaluing pensions and like other public service pension schemes, the Scheme is increased under the provisions of the *Pensions (Increase) Act (Northern Ireland) 1971*. The revaluation of the member's pension applies to the entire pension pot at the beginning of each year. Each member receives an annual benefit statement clearly explaining the current value of his or her pension.

**Management and corporate governance of the Scheme**

The governance of the Scheme has three specific elements:

- Scheme Manager;
- Scheme Advisory Board; and
- Pension Board.

The Department of Justice is the Responsible Authority and Scheme Manager for the Scheme. Within the Department, responsibility for the role of Scheme Manager lies with the Director of Access to Justice.

The purpose of the Northern Ireland Judicial Pension Scheme Advisory Board ('the Scheme Advisory Board') is to provide advice to the Responsible Authority on the desirability of any changes to the Scheme.

Membership of the Northern Ireland Judicial Scheme Advisory Board is as follows:

<b>Name</b>	<b>Board role</b>	<b>Other relevant position held</b>	<b>How appointed</b>
Jill Youds	Independent Chair	Chair, Judicial Pension Board (Ministry of Justice)	By Department of Justice
Ronnie Armour (until 31 January 2017)  Peter Luney (from 1 February 2017)	Employer representative	Chief Executive, Northern Ireland Courts and Tribunals Service  Acting Chief Executive, Northern Ireland Courts and Tribunals Service	By Chair with Scheme Manager approval
Neil Drennan QC	Member representative	Chairman, Industrial Tribunals and the Fair Employment Tribunal Northern Ireland	By Chair with Lord Chief Justice of Northern Ireland approval

The purpose of the Northern Ireland Judicial Pension Board ('the Pension Board') is to assist the Scheme Manager in securing compliance with:

- the Scheme regulations and other legislation relating to the governance and administration of the Scheme; and
- the requirements in relation to the Scheme of the Pensions Regulator.

The Pension Board is also responsible for assisting the Scheme Manager in the performance of its functions under the Scheme regulations.

Membership of the Northern Ireland Judicial Pension Board is as follows:

<b>Name</b>	<b>Board role</b>	<b>Other relevant position held</b>	<b>How appointed</b>
Jill Youds	Independent Chair	Chair, Judicial Pension Board (Ministry of Justice)	By Scheme Manager
Ronnie Armour (until 31 January 2017)  Peter Luney (from 1 February 2017)	Employer representative	Chief Executive, Northern Ireland Courts and Tribunals Service  Acting Chief Executive, Northern Ireland Courts and Tribunals Service	By Chair with Scheme Manager approval
Neil Drennan QC	Member representative	Chairman, Industrial Tribunals and Fair Employment Tribunal Northern Ireland	By Chair with Lord Chief Justice of Northern Ireland approval
Susan Andrews (from 1 June 2016)	Independent Board Member	Independent Board Member, Judicial Pension Board (Ministry of Justice)	By Chair with Scheme Manager approval

The Pension Board has oversight, on behalf of the Department as Scheme Manager, in a variety of areas including assurance and governance of the administration of the Scheme and internal control procedures. This in turn also provides assurance to the Departmental Accounting Officer.

Further details are contained within the Governance Statement in the Corporate Governance Report.

**Arrangements governing determination of contribution rates and benefits**

The Scheme is a career average pension scheme in line with other reformed public service pension schemes made under the Public Service Pensions Act (Northern Ireland) 2014.

*Member contributions*

Member contribution rates are set in regulations and result in the Scheme receiving an average member contribution yield of 5.6%.

The following member contribution rates are effective from 1 April 2016. As there is no limit on the number of years of pension accrual under the Scheme, contributions are payable throughout service. These rates are fixed in the Scheme regulations until 2018-19 however the annual salary bandings do change over this period.

<b>Annual rate of pensionable earnings 2016-17</b>	<b>Rate of member contributions</b>
Up to and including £15,000.99	4.60%
£15,001.00 - £21,210.99	4.60%
£21,211.00 - £48,471.99	5.45%
£48,472.00 - £150,000.99	7.35%
£150,001.00 and above	8.05%

<b>Annual rate of pensionable earnings 2017-18</b>	<b>Rate of member contributions</b>
Up to and including £15,000.99	4.60%
£15,001.00 - £21,422.99	4.60%
£21,423.00 - £51,005.99	5.45%
£51,006.00 - £150,000.99	7.35%
£150,001.00 and above	8.05%

<b>Annual rate of pensionable earnings 2018-19</b>	<b>Rate of member contributions</b>
Up to and including £15,000.99	4.60%
£15,001.00 - £21,636.99	4.60%
£21,637.00 - £51,515.99	5.45%
£51,516.00 - £150,000.99	7.35%
£150,001.00 and above	8.05%

For those judicial office holders not working on a full-time basis, member contributions are calculated under an actual earnings approach. Under this approach, contributions are assessed on the annual rate of pensionable earnings in each pay period. This will fluctuate within a given Scheme year dependent on the applicable member contribution rate for that pay period.

All member contributions paid in respect of the Scheme will be subject to tax relief. As there are no dependant pension contributions paid under the Scheme, a refund will not be provided to those without dependants at retirement.

*Employer contributions*

The employer contribution rate is 38.45%. This comprises the rate of 38.20% recommended by the Government Actuary's Department (GAD) under direction of DoF plus 0.25% of pensionable pay to reflect the cost of Scheme administration. The projected average member contribution rate from 2015 to 2019 was taken into account so that in effect, the employer and employee would together be meeting the total cost of the Scheme.

*Employer cost cap*

The member contribution rates may be amended to reflect the changing cost of the Scheme if an actuarial valuation shows a substantial change (two percentage points above or below) in the overall cost of the Scheme, either up or down. An employer cost cap has been set for the Scheme and is used for measuring changes in the cost of the Scheme. The employer cost cap is expressed as a percentage of pensionable earnings of all members of the Scheme.

The employer cost cap figure is included in the Scheme regulations, and provides a benchmark for future valuations of Scheme costs. The initial employer cost cap figure has been assessed by GAD, the Scheme Actuary, to be 25.7% of pensionable pay and is the target cost to the employer for the Scheme, represented as a percentage of pensionable earnings.

*Scheme valuations*

Scheme valuations are scheduled to take place every four years, with the next valuation to take effect from 1 April 2019. If a future valuation indicates that the cost has moved significantly away from the employer cost cap (two percentage points either above or below), the Scheme must take action to bring costs back to the employer cost cap. Such action could include amending Scheme benefits for future accruals to alter the overall cost of the Scheme or altering the level of member contributions so that a higher or lower level of employer contributions is required.

**Key developments in year*****Changes in contributions and benefits***

There have been no changes in contribution rates or benefits since the Scheme was established on 1 April 2015.

***Membership statistics (movement in year)***

Details of the current membership of the Scheme are outlined below:

<b><u>ACTIVE MEMBERS</u></b>	<b><u>2016-17 Total</u></b>	<b><u>2015-16 Total</u></b>
Members at 1 April	35	-
<i>Add:</i>		
New entrants	4	35
Transfers in	-	-
<i>Less:</i>		
Retirements	-	-
Deaths in service	-	-
Transfers out	-	-
<b>Members at 31 March</b>	<b><u>39</u></b>	<b><u>35</u></b>

There are no Deferred members or Pensions in payment within the Scheme.

***Employing departments***

The membership per employing department at the end of the reporting period was as follows:

	<b><u>Department for Communities</u></b>	<b><u>Department for the Economy</u></b>	<b><u>Department of Justice</u></b>	<b><u>2016-17 Total</u></b>	<b><u>2015-16 Total</u></b>
Salaried members	1	1	1	<b>3</b>	<b>3</b>
Fee-paid members	30	6	-	<b>36</b>	<b>32</b>
<b>Total</b>	<b><u>31</u></b>	<b><u>7</u></b>	<b><u>1</u></b>	<b><u>39</u></b>	<b><u>35</u></b>

***Financial position at 31 March 2017, significant features of results for year***

The financial statements show the income, expenditure, assets and liabilities for the second year of the Scheme. As there have been no pension payments this year, all contributions receivable will be paid to the Consolidated Fund as excess cash receipts. The balance on Taxpayers' Equity reflects the current service cost, pension financing cost and actuarial gain of the year-end pension liability.

***Events after the reporting period and issues for future years***

In 2016-17 the Department of Justice, in its role as Responsible Authority for the scheme, had anticipated making further amendments to the scheme regulations, such as in respect of transitional protection portability for eligible fee-paid judicial office holders, and to remove negligence as a basis for forfeiture or set-off of pension. The Department also anticipated making regulations to introduce a scheme for Additional Voluntary Contributions for scheme members. These instruments cannot currently be progressed due to the dissolution of the Assembly.

Over the next five years 10 additional members will join the Scheme through a tapering arrangement.

**Information for Members*****Supplementary information available to members***

Further information, including the Scheme Guide and information relating to the Scheme Advisory Board and Pension Board, is available on the Department of Justice website at: <https://www.justice-ni.gov.uk/articles/northern-ireland-judicial-pension-scheme>.

***Information about Freestanding Additional Voluntary Contributions and Stakeholder Pensions***

Members may put in place their own arrangements for making payments to institutions which offer Freestanding Additional Voluntary Contribution Schemes to build up a pension pot to be invested by the third-party provider and which will be drawn according to HMRC rules. It should be noted that in relation to money purchase benefits, the value of the pension will depend on several factors including the amount of the contributions paid, the performance of investments and the cost of converting the benefit into an annuity. The Managers of the Northern Ireland Judicial Pension Scheme have no responsibility in connection with such arrangements and no employer contributions were made to Freestanding Additional Voluntary Contribution Schemes in 2016-17.

***Names and addresses relevant to the Scheme***

<p><b>Accounting Officer</b></p> <p>Nick Perry Department of Justice Block B Castle Buildings Stormont Estate Belfast BT4 3SG</p>	<p><b>Bankers</b></p> <p>Danske Bank Donegall Square West Belfast BT1 6JS</p>
<p><b>Administrators</b></p> <p>Punter Southall Administration Limited Albion Fishponds Road Wokingham RG41 2QE</p>	<p><b>Legal advisers</b></p> <p>Departmental Solicitor's Office Victoria Hall 12 May Street Belfast BT1 4NL</p>
<p><b>Actuary</b></p> <p>Government Actuary's Department Finlaison House 15-17 Furnival Street London EC4A 1AB</p>	<p><b>Auditors</b></p> <p>Northern Ireland Audit Office 106 University Street Belfast BT7 1EU</p>

**Contact for enquiries**

Enquiries by members can be made:

- in writing to:  
*Northern Ireland Judicial Pension Scheme  
Management Support Branch  
Northern Ireland Courts and Tribunals Service  
Laganside House  
23-27 Oxford Street  
Belfast  
BT1 3LA;*
  
- by telephone: 028 9072 8863; or
  
- by e-mailing: [NIJPS@courtsni.gov.uk](mailto:NIJPS@courtsni.gov.uk).



## REPORT OF THE ACTUARY

### Introduction

This statement has been prepared by the Government Actuary's Department at the request of the Department of Justice. It summarises the pensions disclosures required for the 2016-17 Resource Accounts of the Northern Ireland Judicial Pension Scheme ('the NIJPS' or 'the Scheme').

The NIJPS is a defined benefit pension scheme, the rules of which are set out in the Judicial Pensions Regulations (Northern Ireland) 2015. The Scheme is wholly unfunded. 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).

The statement is based on an assessment of the liabilities as at 31 March 2017.

### Membership data

**Tables A** summarises the principal membership data as at 30 September 2015, supplemented by the cash flow data sent to GAD on 3 May 2017 used to prepare this statement.

**Table A - Active members**

Number of members	Total salaries 2017-18 £000	Total salaries 2016-17 £000	Total salaries 2015-16 £000
33	934	825	754

### Methodology

The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM) and the principal financial assumptions applying to the 2016-17 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2017 was determined using the PUCM and the principal financial assumptions applying as at 31 March 2016.

This statement takes into account the benefits normally provided under the Scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include premature retirement and redundancy benefits in respect of current active members.

### Principal financial assumptions

The principal financial assumptions adopted to prepare this statement are shown in **Table B**.

**Table B - Principal financial assumptions**

Assumption	31 March 2017	31 March 2016
Rate of return (discount rate)	2.80%	3.60%
Rate of future pension increases	2.55%	2.20%
Rate of return in excess of:		
Pension increases (CPI)*	0.24%	1.37%
Expected return on assets	n/a	n/a

\*Consumer Prices Index

## Demographic assumptions

The demographic assumptions adopted to prepare this statement are in line with the 2012 valuation of the Judicial Pension Scheme for the United Kingdom.

The standard mortality tables known as S1NXA (for normal health pensioners and dependants) are used but with mortality rates reduced to 80% of actual rates for male members and 85% for female members. Mortality improvements are in accordance with those incorporated in the 2014-based principal population projections for the United Kingdom.

The contribution rate used to determine the accruing cost in 2016-17 was based on the demographic and financial assumptions applicable at the start of the year.

## Liabilities

**Table C** summarises the assessed value as at 31 March 2017 of benefits accrued under the Scheme prior to 31 March 2017 based on the data, methodology and assumptions described above.

**Table C - Statement of Financial Position**

	31 March 2017 £000	31 March 2016 £000
Total market value of assets	Nil	Nil
Value of liabilities	889	304
Surplus/(Deficit)	(889)	(304)
of which recoverable by employers	n/a	n/a

## Accruing costs

The cost of benefits accrued in the year ended 31 March 2017 (the Current Service Cost) is based on a standard contribution rate of 40.5%. Under the Scheme regulations, members contribute between 4.60% and 8.05% of pensionable pay. **Table D** shows the standard contribution rate used to determine the Current Service Cost for 2016-17.

**Table D - Contribution rate**

	Percentage of pensionable pay 2016-17	Percentage of pensionable pay 2015-16
Standard contribution rate	40.5%	42.0%

For the avoidance of doubt, the actual rate of contributions payable by employers is not the same as the employers' share of the standard contribution rate as above. This is because the actual employer contribution rate was determined as part of a funding valuation using different assumptions. The key difference between the assumptions used for funding valuations and Resource Accounts is the discount rate. The discount rate for Resource Accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.

The pensionable payroll for the financial year 2016-17 was £825,000 (based on cash flow data received on 3 May 2017) (2015-16: £754,000). Based on this information, the accruing cost of pensions in 2016-17 (at 40.5% of pay) is assessed to be £334,000 (2015-16: £316,000).

There were no past service costs during 2015-16 or 2016-17.

## Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2017 of changes to the most significant actuarial assumptions.

The most significant assumptions are the discount rate and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.

**Table E** shows the indicative effects on the total liability as at 31 March 2017 of changes to these assumptions (rounded to the nearest 0.5%).

**Table E - Sensitivity to significant assumptions**

Change in assumption	Approximate effect on total liability		
<b>Financial assumptions</b>			
(i) discount rate*:	+0.5% a year	-14.0%	-£125,000
(ii) pension increase*:	+0.5% a year	+16.5%	+£145,000
<b>Demographic assumptions</b>			
(iii) additional 1 year increase in life expectancy at retirement*		+4.0%	+£35,000

\* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

**Michael Scanlon FIA**  
Government Actuary's Department

**5 May 2017**

## STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

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

The financial statements must give a true and fair view of the state of affairs of the Scheme at the year end and of the net resource outturn and cash flows for the year then ended. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the Assembly or material transactions that have not conformed to the authorities that govern them. In addition, the financial statements must be prepared so as to ensure that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

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, 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 has appointed the Permanent Head of the Department of Justice as Accounting Officer for the Northern Ireland Judicial Pension Scheme. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an 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 published in *Managing Public Money Northern Ireland*.

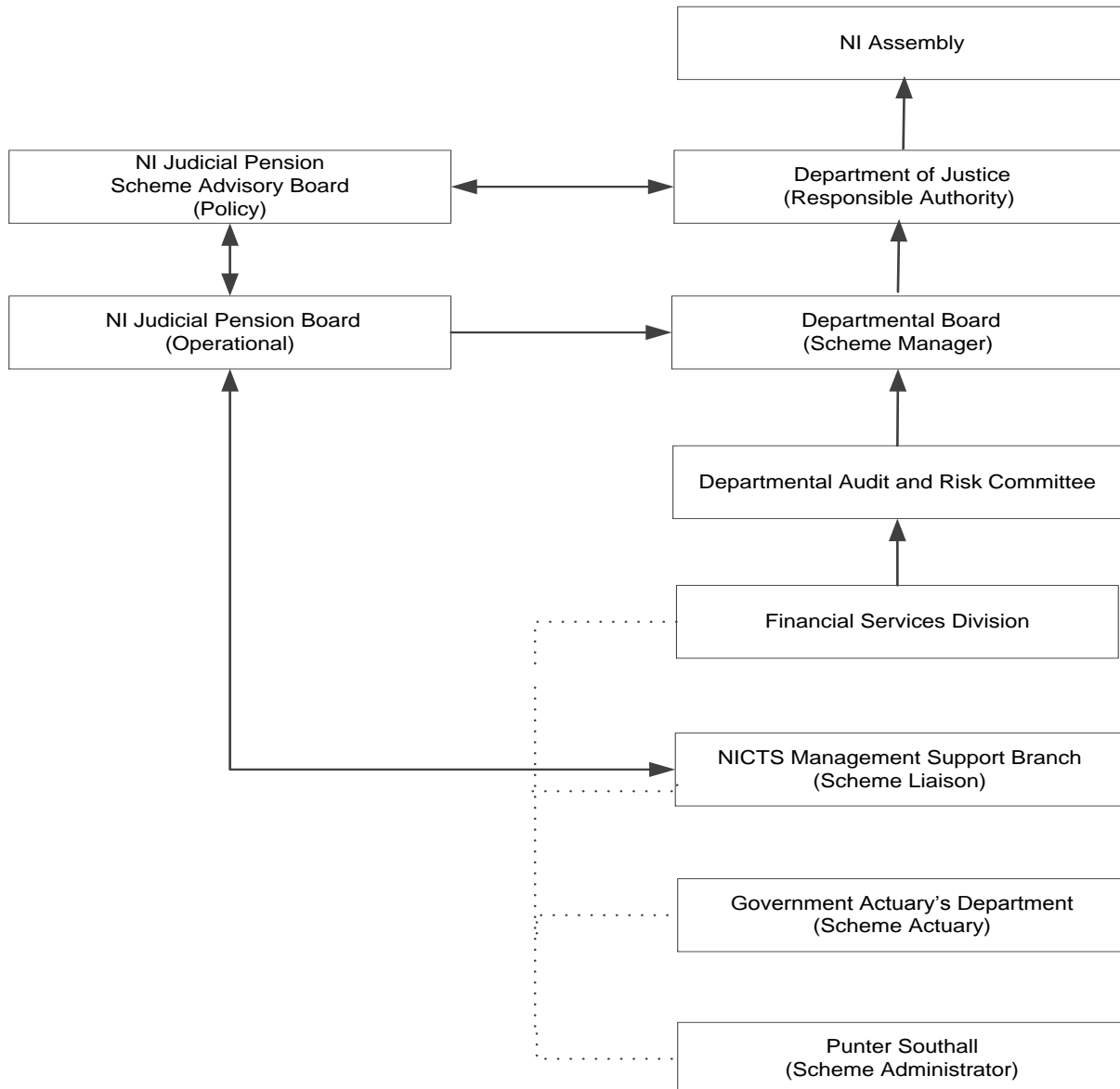
The Accounting Officer is required to confirm that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

So far as the Accounting Officer is aware, there is no relevant information of which the Department's auditors are unaware. The Accounting Officer has taken all the steps that ought to have been taken to be aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

## GOVERNANCE STATEMENT

### 1. Governance structure

The Scheme adheres to the following governance structure:



The key organisational structures which support the delivery of effective corporate governance in relation to the Scheme are the:

- Departmental Board;
- Departmental Audit and Risk Committee;
- Northern Ireland Judicial Pension Board; and
- Northern Ireland Judicial Pension Scheme Advisory Board.

## Departmental Board

The Minister is supported by the staff of the Department, led by the Permanent Secretary and a Departmental Board. The Board leads the management of the Department in the delivery of the Minister's objectives and is responsible for the establishment and monitoring of the corporate governance arrangements of the Department. Subject to Ministerial agreement, the Board prioritises the allocation of resources to match development and delivery requirements, and is accountable for Departmental performance.

In addition to the Permanent Secretary, the Board is made up of four executive members and one independent member. The independent members provide constructive challenge to the Board's business, an external objective perspective and a different range of experience to complement the executive Board members.

Attendance by members is shown below for the 10 meetings of the Departmental Board during 2016-17:

Position	Member	Attendance
Permanent Secretary (Chair)	Nick Perry	10/10
Director, Access to Justice	David A Lavery CB	9/10
Director, Safer Communities	Anthony Harbinson	10/10
Director, Justice Delivery	Lianne Patterson	9/10
Director, Reducing Offending	Sue McAllister (until 30 October 2016)	5/6
	Phil Wragg (from 31 October 2016 to 31 January 2017)	0/2
	Ronnie Armour (from 1 February 2017)	2/2
Independent Board Members	Rotha Johnston (until 31 August 2016)	3/4
	Clarke Black	9/10

Within the Department of Justice responsibility for the role of Scheme Manager lies with the Director of Access to Justice and key work to date includes preparation of:

- terms of reference for the Northern Ireland Judicial Pension Scheme Advisory Board;
- annual report provided by the Northern Ireland Judicial Pension Board; and
- annual report and accounts for the Scheme to be laid in the Assembly.

## Departmental Audit and Risk Committee

The Departmental Audit and Risk Committee (DARC) is constituted as a sub-committee of the Departmental Board and acts in an advisory capacity. It provides assurance to the Board that effective systems are in place to monitor risk management, internal controls and governance across the Department and its ALBs. The DARC also oversees the performance and work of internal audit in those bodies funded by the Department.

The Committee is chaired by an independent non-executive member of the Departmental Board and membership is made up of one other independent member.

Attendance by members is shown below for the four meetings of the Committee during 2016-17:

Position	Member	Attendance
Independent Board Member (Chair)	Rotha Johnston (until 31 August 2016)	1/1
Independent Board Member (Chair)	Clarke Black (Chair from 1 September 2016)	4/4
Independent Member	David Small	4/4

Key work of the DARC relating to the Scheme included the review and consideration of:

- the external audit strategy;
- the Head of Internal Audit's annual opinion and report; and
- the Scheme's annual reports and accounts.

### Northern Ireland Judicial Pension Board

In accordance with the *Judicial Pensions Regulations (Northern Ireland) 2015*, the Northern Ireland Judicial Pension Board ('the Pension Board') has been established to support and assist the Scheme Manager in securing compliance with:

- the Scheme regulations and other legislation relating to the governance and administration of the Scheme; and
- the requirements in relation to the Scheme of the Pensions Regulator.

The Pension Board is also responsible for assisting the Scheme Manager in the performance of its functions under the Scheme regulations.

Attendance by members is shown below for the four meetings of the Pension Board during 2016-17:

Position	Member	Attendance
Chair	Jill Youds	4/4
Employer representative	Ronnie Armour (until 31 January 2017)	3/3
	Peter Luney (from 1 February 2017)	1/1
Member representative	Neil Drennan QC	4/4
Independent Board Member	Susan Andrews (from 1 June 2016)	3/3

Key work of the Pension Board included:

- reviewing the terms of reference for the Pension Board;
- monitoring the risk register of the Scheme;
- reviewing performance of the Scheme administrators;
- considering a procedure for dealing with scheme discretions;
- amendments to Scheme regulations; and
- preparing the annual report for the Scheme Manager to provide assurance that the Pension Board has fulfilled its roles and responsibilities.

### Northern Ireland Judicial Pension Scheme Advisory Board

In accordance with the *Judicial Pensions Regulations (Northern Ireland) 2015*, the Northern Ireland Judicial Pension Scheme Advisory Board ('the Scheme Advisory Board') has been established to provide advice to the Department, as Responsible Authority, on the desirability of any changes to the Scheme.

The Scheme Advisory Board was not required to convene in 2016-17.

### Internal Audit

The Department's Internal Audit Services provided the internal audit service to the Scheme during 2016-17.

From the beginning of the 2017-18 year, a single NICS Internal Audit team has been established within the Department of Finance and this will incorporate the DOJ Internal Audit team. The Internal Audit service to the DOJ will continue to be provided as before with the same personnel and to the same professional standards.

## Information assurance

The Department has a robust Information Assurance governance structure that is managed by the Department's Information Risk Owners' Council (IROC). The IROC is chaired by the Senior Information Risk Owner and memberships includes the Departmental Security Officer, the Departmental Information Manager and lead Information Asset Owners (IAOs), nominated to represent all departmental business areas, agencies and ALBs. Supporting the work of the IROC is the Accreditation Panel, the Security Managers' Forum, the Records and Information Management Group and the IT Security Forum. Membership of IROC is reviewed periodically to ensure that it includes as many relevant parties as possible for maximum distribution and consistency of best practice in policy application and implementation across the Departmental family.

## 2. Risk management and internal control

Risk management is embedded into the business planning process in the Department at both strategic and operational levels in line with DoF guidance. The system of internal control is designed to maintain risk at a manageable level, based on a risk appetite agreed by the Departmental Board, in order to provide a reasonable assurance of effectiveness. The Department's risk appetite will vary according to the perceived importance of risks and their timing.

Risks to the delivery of Departmental aims and objectives are considered by the Board on an ongoing basis. The likelihood of risks being realised and the likely impact of realisation of those risks are considered in order to inform decisions on how to manage risk effectively.

The Board monitors the mitigation of strategic risks throughout the year. These include risks of a sufficient magnitude to threaten organisational success and reputation, or a scenario of combined risks that would have an impact. The corporate risk register is amended throughout the year to reflect changes to the assessment of risk and to take account of emerging risk areas. This supports the Accounting Officer in ensuring that there is regular and timely assurance on the issues that are important to organisational success; in particular, the proportionate management of risks that threaten the successful achievement of business outcomes and objectives.

Board assessments on the effectiveness of internal controls and emerging issues are informed by:

- the annual report provided by the Northern Ireland Judicial Pension Board;
- reports to those charged with governance provided by the Northern Ireland Audit Office as part of their annual audit work;
- findings of Internal Audit reviews;
- bi-annual stewardship statements by Heads of Division, agencies and ALBs;
- reports provided by the DARC; and
- feedback from the Information Risk Owners Council and Procurement Governance Board.

The risk management process in the Department is dynamic, with evidence of regular review and re-assessment of risks to identify where risk assessments have increased or decreased, as well as identifying emerging risks to be considered and managed. The Head of Internal Audit attends Audit Committees across the Departmental family and, as a result, is able to provide satisfactory assurance on the active and dynamic operation of effective risk identification and management.

The Department is subject to public expenditure controls, and its expenditure forms part of the Departmental Expenditure Limit and Annually Managed Expenditure. Decisions on allocations to the Department rest within the Executive's agreed allocations and controls. Separate public expenditure controls and Annually Managed Expenditure are in place for the Scheme.



### **3. Review of effectiveness of the governance framework**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the governance framework including the system of internal control. The review of effectiveness is informed by the work of Internal Audit, the internal control framework and comments made by external audit in their reports to those charged with governance and other reports. A sound governance framework has been established across the Department which includes:

- management boards;
- audit committees with independent membership;
- annual governance statements;
- stewardship statements; and
- independent reviews by Internal Audit.

Board effectiveness was evaluated in May 2016 with the outcome being that the Board is fulfilling its governance requirements.

There were no Ministerial Directions given during the year.

### **4. Significant internal control issues**

There were no significant internal control issues identified during the year.

### **5. Accounting Officer statement on assurance**

The Department has an established and robust assurance framework that includes primary assurance through line management structures on the achievement of objectives. This primary assurance is supplemented by secondary assurances provided through oversight of management activity and by the Department's Internal Audit Services operating to Public Sector Internal Audit Standards. They deliver an agreed prioritised programme of systems based audits covering all Departmental systems over time. The Head of Internal Audit provides me with an Annual Report and his professional opinion on the level of assurance that he can provide based on the work done. For the 2016-17 year he has provided overall satisfactory assurance.

**ASSEMBLY ACCOUNTABILITY****STATEMENT OF ASSEMBLY SUPPLY****Summary of Resource Outturn 2016-17**

	Estimate			Outturn			2016-17 £	2015-16 £	
	Net	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total Outturn compared with Estimate: saving/ (excess)	Net Total Outturn
Request for Resources A		606,000	(406,000)	200,000	351,000	(367,604)	(16,604)	216,604	(26,715)
<b>Total Resources</b>	SOAS 1	<b>606,000</b>	<b>(406,000)</b>	<b>200,000</b>	<b>351,000</b>	<b>(367,604)</b>	<b>(16,604)</b>	<b>216,604</b>	<b>(26,715)</b>

**Net Cash Requirement 2016-17**

	Note	Estimate	Outturn	2016-17 £	2015-16 £
				Net Total Outturn compared with Estimate: saving/(excess)	Outturn
Net Cash Requirement	SOAS 2	-	-	-	-

**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 Northern Ireland Consolidated Fund (cash receipts being shown in italics):

	Note	Income	2016-17 £ Forecast Receipts	2016-17 £ Income	2016-17 £ Outturn Receipts
Total	SOAS 3	-	<i>406,000</i>	367,604	<i>384,409</i>

The notes on pages 30 to 40 form part of these accounts.

**SOAS 1 Reconciliation of Net Resource Outturn to Net Expenditure**

			2016-17 £	2015-16 £
	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	(16,604)	200,000	216,604	(26,715)
<b>Net Expenditure in Statement of Comprehensive Expenditure</b>	<b>(16,604)</b>	<b>200,000</b>	<b>216,604</b>	<b>(26,715)</b>

**SOAS 2 Reconciliation of Net Resource Outturn to Net Cash Requirement**

				2016-17 £
	Note	Estimate	Outturn	Net Total Outturn compared with Estimate: saving/ (excess)
<b>Net Resource Outturn</b>	SOAS 1	200,000	(16,604)	216,604
<b>Accruals adjustments</b>				
<i>Adjustments to remove non-cash items:</i>				
New provisions and adjustments to previous provisions		(606,000)	(334,000)	(272,000)
Other non-cash items		-	-	-
Changes in working capital other than cash		-	(17,000)	17,000
<b>Changes in payables falling due after more than one year</b>		-	-	-
<b>Excess cash receipts surrenderable to the Consolidated Fund</b>	SOAS 3	406,000	367,604	38,396
<b>Net Cash Requirement</b>		-	-	-

The notes on pages 30 to 40 form part of these accounts.

**SOAS 3 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	Forecast 2016-17 £		Outturn 2016-17 £	
		Income	Receipts	Income	Receipts
Operating income and receipts - excess Accruing Resources	SOAS 4	-	-	-	-
Other operating income and receipts not classified as Accruing Resources		-	-	-	-
		-	-	-	-
Non-operating income and receipts - excess Accruing Resources		-	-	-	-
Other non-operating income and receipts not classified as Accruing Resources		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	SOAS 2	-	<i>406,000</i>	367,604	<i>384,409</i>
<b>Total income payable to the Consolidated Fund</b>		-	<b><i>406,000</i></b>	<b>367,604</b>	<b><i>384,409</i></b>

**SOAS 4 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund**

	Note	2016-17 £000	2015-16 £000
Operating income	3	367,604	348,715
Income authorised to be Accruing Resources		(367,604)	(348,715)
<b>Operating income payable to the Consolidated Fund</b>	SOAS 3	<b>-</b>	<b>-</b>

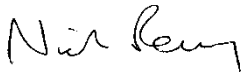
The notes on pages 30 to 40 form part of these accounts.

**OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURES****Regularity of expenditure*****Losses and Special Payments***

There were no losses or special payments during the year.

**Remote Contingent Liabilities**

There were no contingent liabilities requiring disclosure under Assembly reporting requirements. The Scheme had no significant remote contingent liabilities during 2016-17 that require disclosure. As per Note 16 to the accounts, there were no contingent liabilities during 2016-17 that require disclosure under IAS 37.

**ACCOUNTABILITY REPORT**

**Nick Perry**  
**Accounting Officer**

**19 June 2017**

The notes on pages 30 to 40 form part of these accounts.

**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 Northern Ireland Judicial Pension Scheme for the year ended 31 March 2017 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statement of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. I have also audited the Statement of Assembly Supply 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, certify and report on 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 Northern Ireland Judicial Pension Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Judicial Pension Scheme; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report to Managers, Report of the Actuary and Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

**Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2017 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

**CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY****Opinion on 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 2017 and of its net income for the year then ended; and
- the financial statements have been properly prepared in accordance with Department of Finance directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001.

**Opinion on other matters**

In my opinion:

- the information given in the Report of the Managers and the 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 Governance Statement does not reflect compliance with Department of Finance's guidance.

**Report**

I have no observations to make on these financial statements.



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

*27 June 2017*

**FINANCIAL STATEMENTS****Statement of Comprehensive Net Expenditure**

For the year ended 31 March 2017

	Note	2016-17 £	2015-16 £
<b>Income</b>			
Contributions receivable	3	367,604	348,715
Transfers in	4	-	-
Other pension income	5	-	-
<b>Expenditure</b>			
Service cost	6	(334,000)	(316,000)
Enhancements	7	-	-
Transfers in	8	-	-
Pension financing cost	9	(17,000)	(6,000)
<b>Net (expenditure)/income</b>	SOAS 1	<u>16,604</u>	<u>26,715</u>
<b>Other comprehensive net expenditure</b>			
Pension re-measurements - actuarial gain/(loss)	14.7	(234,000)	18,000
<b>Comprehensive net (expenditure)/income for the year</b>		<u>(217,396)</u>	<u>44,715</u>

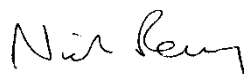
The notes on pages 30 to 40 form part of these accounts.



## Statement of Financial Position

As at 31 March 2017

	Note	2016-17 £	2015-16 £
<b>Current assets</b>			
Receivables	11	397,268	348,715
Cash and cash equivalents	12	-	-
<b>Total current assets</b>		<b>397,268</b>	<b>348,715</b>
<b>Current Liabilities</b>			
Payables	13	(397,268)	(348,715)
<b>Total current liabilities</b>		<b>(397,268)</b>	<b>(348,715)</b>
<b>Net current assets/(liabilities) excluding pension liability</b>		<b>-</b>	<b>-</b>
Pension liability	14	(889,000)	(304,000)
<b>Net liabilities, including pension liability</b>		<b>(889,000)</b>	<b>(304,000)</b>
<b>Taxpayers' equity</b>			
General fund		(889,000)	(304,000)
<b>Total taxpayers' equity</b>		<b>(889,000)</b>	<b>(304,000)</b>



Nick Perry  
Accounting Officer

19 June 2017

The notes on pages 30 to 40 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2017

	Note	General Fund 2016-17 £	General Fund 2015-16 £
<b>Balance at 1 April</b>		(304,000)	-
CFERs payable to the Consolidated Fund	13	(367,604)	(348,715)
Comprehensive net (expenditure)/income for the year		16,604	26,715
Actuarial gain/(loss)	14.7	(234,000)	18,000
<b>Net change in Taxpayers' Equity</b>		<u>(585,000)</u>	<u>304,000</u>
<b>Balance at 31 March</b>		<u><b>(889,000)</b></u>	<u><b>(304,000)</b></u>

The notes on pages 30 to 40 form part of these accounts.

## Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016-17 £	2015-16 £
<b>Cash flows from operating activities</b>			
Net (expenditure)/income for the year		16,604	26,715
Adjustment for non-cash transactions		-	-
(Increase)/decrease in receivables	11	(48,553)	(348,715)
<i>less movement in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		-	-
Increase/(decrease) in payables - pensions		-	-
Increase/(decrease) in payables - other payables	13	48,553	348,715
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		(48,553)	(348,715)
Increase/(decrease) in pension provision	14.4	351,000	322,000
Use of provisions		-	-
<b>Net cash outflow from operating activities</b>		<b>319,053</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) - current year		-	-
From the Consolidated Fund (non-Supply)		-	-
<b>Net financing</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>319,053</b>	<b>-</b>
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		-	-
Payments of amounts due to the Consolidated Fund		(319,053)	-
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>-</b>	<b>-</b>

The notes on pages 30 to 40 form part of these accounts.

## Notes to the Accounts

### 1. Basis of preparation of the Scheme financial statements

The financial statements of the Scheme have been prepared in accordance with the relevant provisions of the 2016-17 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements.

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

#### 1.1 Northern Ireland Judicial Pension Scheme

The Northern Ireland Judicial Pension Scheme is an unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the Department of Justice on behalf of members who satisfy the membership criteria.

Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary and approved by the Department of Justice. The contributions partially fund payments made by the Scheme, the balance of funding being provided by the Northern Ireland Assembly through the annual Supply Estimates process. The administrative expenses associated with the operation of the Scheme are borne by the employing departments within the Scheme and are reported in their annual accounts.

The financial statements of the Scheme show the financial position of the Northern Ireland Judicial Pension Scheme at the year end and the income and expenditure during the year. The Statement of Financial Position shows the unfunded net liabilities of the Scheme; the Statement of Comprehensive Net Expenditure shows the factors contributing to the net liability analysed between the pension cost and the interest on the Scheme liability. Further information about the actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme financial statements should be read in conjunction with that Report.

The financial statements also have regard to the *Public Service Pensions Act (Northern Ireland) 2014*, the *Public Service Pensions Act (Northern Ireland) 2014 (Judicial Offices) Order (Northern Ireland) 2015*, the *Judicial Pensions Regulations (Northern Ireland) 2015* and the *Government Resources and Accounts Act (Northern Ireland) 2001*.

### 2. Statement of accounting policies

The accounting policies contained in the *FReM* follow International Financial Reporting Standards to the extent that they are meaningful and appropriate in the public sector context.

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 Scheme financial statements.

#### 2.1 Accounting convention

These financial statements have been prepared under the historical cost convention.

## 2.2 Contributions receivable

Employers' normal contributions are accounted for on an accruals basis. Employees' contributions, which include amounts paid in respect of the purchase of added years/added pension but which exclude Additional Voluntary Contributions (AVCs), are accounted for on an accruals basis. The increase in the pension 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 pension liability is accounted for at the same time as the associated income). Any material transfers that have been agreed but not settled by the end of the financial year, or which are still under negotiation, are disclosed by way of a narrative note.

## 2.4 Other pension 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 pension liability arising from employee service in the current period and is recognised in the Statement of Comprehensive Net Expenditure. The cost is based on the assumptions used by the actuary.

## 2.6 Past service cost

The past service cost is the change in the present value of the pension liability relating 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 Pension financing cost

The pension financing cost is the increase during the period in the present value of the pension liability because the benefits are one period closer to settlement. The interest cost is based on the discount rate applicable at 1 April 2015, based on the financial and demographic assumptions applying as at 31 March 2015 and is recognised in the Statement of Comprehensive Net Expenditure.

## 2.8 Pension liability

Provision is made for liabilities to pay pensions and other benefits in the future. The pension liability is measured on an actuarial basis using the projected unit credit method and is discounted at the rate applicable at 31 March 2017, being 0.24% real rate (i.e. 2.80% including inflation). Full actuarial valuations by a professionally qualified actuary are required at intervals not exceeding four years in accordance with the requirements of the *FReM*. In the intervening periods the actuary reviews the most recent actuarial valuation at the reporting period date and updates it to reflect current conditions. The pension liability included in these financial statements has been calculated by rolling forward the results of the Judicial Pension Scheme funding valuation as at 31 March 2012, which applies to the Northern Ireland Judicial Pension Scheme under Direction 46 of the *Public Service Pensions (Valuations and Employer Cost Cap) Directions (Northern Ireland) 2014*. *FReM* stipulates that approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes.

## **2.9 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 Scheme itself has accepted liability.

## **2.10 Pension payments to those retiring at their normal retirement age**

Pension payments made to those retiring at their normal retirement age are accounted for as a decrease in the Scheme liability on an accruals basis.

## **2.11 Pension payments to and on account of leavers before their normal retirement age**

Where a member of the Scheme is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the Scheme liability on an accruals basis.

## **2.12 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.

## **2.13 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 reporting period date are recognised in the Statement of Comprehensive Net Expenditure.

## **2.14 Additional voluntary contributions**

Additional Voluntary Contributions (AVCs) are deducted from employees' salaries and are paid over directly by the employers to approved AVC providers.

## **2.15 Impending application of newly issued or not yet effective accounting standards**

The Department has reviewed:

- accounting standards, interpretations and amendments to published standards and FReM;
- accounting standards, interpretations and amendments to published standards not yet effective; and
- financial reporting - future developments.

The Department considers that these are not relevant or material to the operation of the Scheme.

**3. Contributions receivable**

	<b>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
Employers:		
- Normal	315,302	298,144
- Purchase of added years	-	-
Employees:		
- Normal	52,302	50,571
- Purchase of added years	-	-
	<b>367,604</b>	<b>348,715</b>

£390,000 contributions are expected to be payable to the Scheme in 2017-18.

**4. Transfers in**

	<b>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
Group transfers in from other schemes	-	-
Individual transfers in from other schemes	-	-
	<b>-</b>	<b>-</b>

**5. Other pension income**

	<b>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
Refunds of gratuities received	-	-
Amounts receivable in respect of:		
- Bringing forward the payment of accrued superannuation lump sums	-	-
- Capitalised cost of enhancement to pensions payable at normal retirement age	-	-
	<b>-</b>	<b>-</b>

**6. Service cost**

	<b>Note</b>	<b>2016-17</b>	<b>2015-16</b>
		<b>£</b>	<b>£</b>
Current service cost	14.4	334,000	316,000
Past service cost	14.4	-	-
		<b>334,000</b>	<b>316,000</b>

**7. Enhancements**

	2016-17 £	2015-16 £
Employees:		
- Purchase of added years	-	-
- Refunds of gratuities	-	-
Employers:		
- Bringing forward the payment of accrued lump sums	-	-
- Enhancements to pensions on departure	-	-
- Enhancements to pensions on retirement	-	-
	<u>-</u>	<u>-</u>

**8. Transfers in - additional liability**

	2016-17 £	2015-16 £
Group transfers in from other schemes	-	-
Individual transfers in from other schemes	-	-
	<u>-</u>	<u>-</u>

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

**9. Pension financing cost**

	Note	2016-17 £	2015-16 £
Net interest on defined benefit liability	14.4	17,000	6,000
		<u>17,000</u>	<u>6,000</u>

**10. Additional Voluntary Contributions (AVCs)**

There were no AVCs during 2015-16 or 2016-17.



**11. Receivables - contributions due in respect of pensions**

	2016-17 £	2015-16 £
<b>Amounts falling due within one year:</b>		
Pension contributions due from employers	11,342	25,369
Employees' normal contributions	1,517	4,294
Capitalised cost of enhancement to pensions payable on departure	-	-
Amount due from Ministry of Justice	383,639	318,297
Other receivables	770	755
Amount due from the Consolidated Fund in respect of supply	-	-
<b>Amounts falling due within one year</b>	<b>397,268</b>	<b>348,715</b>
<b>Amounts falling due after more than one year</b>	<b>-</b>	<b>-</b>
<b>Total receivables</b>	<b>397,268</b>	<b>348,715</b>
Included within these figures is £397,268 (2015-16: £348,715) that will be due to the Consolidated Fund once the debts are collected.		

**12. Cash and cash equivalents**

	2016-17 £	2015-16 £
Balance at 1 April	-	-
Net change in cash balances	-	-
<b>Balance at 31 March</b>	<b>-</b>	<b>-</b>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	-	-
<b>Balance at 31 March</b>	<b>-</b>	<b>-</b>

**13. Payables - in respect of pensions**

	2016-17 £	2015-16 £
<b>Amounts falling due within one year:</b>		
Overpaid contributions	-	-
Amounts issued from the Consolidated Fund for supply but not spent at year end	-	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
- Received	384,409	319,052
- Receivable	12,859	29,663
<b>Amounts falling due within one year</b>	<b>397,268</b>	<b>348,715</b>
<b>Amounts falling due after more than one year</b>	<b>-</b>	<b>-</b>
<b>Total payables</b>	<b>397,268</b>	<b>348,715</b>

## 14. Pension liability

### 14.1 Assumptions underpinning the pension liability

The Northern Ireland Judicial Pension Scheme is an unfunded defined benefit scheme. The Government Actuary's Department carried out an assessment of the Scheme liabilities as at 31 March 2017. The Report of the Actuary sets out the scope, methodology and results of the work the actuary has carried out.

The Scheme Manager together with the actuary and the auditor have reviewed, as far as practicable, the range of information that the Scheme Manager 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 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.

The key assumptions used by the actuary were:

#### **Financial assumptions:**

	At 31 March 2017	At 31 March 2016	At 1 April 2015
Nominal discount rate	2.80%	3.60%	3.55%
Rate of pension increases	2.55%	2.20%	2.20%
Real discount rate in excess of:			
Pension increases	0.24%	1.37%	1.30%

#### **Proposed baseline post retirement mortality assumptions:**

	At 31 March 2017	At 1 April 2015 and 31 March 2016
<b>Normal health</b>		
Males	80% of S1NMA mortality	80% of S1NMA mortality
Females	85% of S1NFA mortality	85% of S1NFA mortality
<b>Partners</b>		
Males	80% of S1NMA mortality	80% of S1NMA mortality
Females	85% of S1NFA mortality	85% of S1NFA mortality

**Life expectancy (normal health retirements):**

	At 31 March 2017 (unchanged from the 2015-16 assumption*)		At 31 March 2016		At 1 April 2015	
	Men (years)	Women (years)	Men (years)	Women (years)	Men (years)	Women (years)
<b>Life expectancy at age 65</b>						
Current pensioners	25.3	26.9	25.2	26.8	25.5	27.5
Active members**	27.5	29.0	27.4	28.9	27.7	29.6

\* The mortality assumption includes allowance for the trend of increasing life expectancies, so although there has been no change from the 2015-16 assumption, members reaching 65 in 2017 are assumed to have a slightly greater life expectancy than members reaching age 65 in 2016.

\*\* The life expectancy at age 65 of active and deferred members will depend on their current age. Illustrative life expectancies for future pensioners as at 31 March 2016 and 2017 are based upon members aged 45 at these dates.

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 Manager acknowledges 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. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

In accordance with IAS 19 the Scheme Manager is required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analyses, are included in the analysis of the pension liability below.

**14.2 Analysis of the pension liability****Present value of the actuarial liability in respect of:**

	2016-17 £	2015-16 £
Pensions in payment	-	-
Deferred members	-	-
Active members	889,000	304,000
<b>Total liabilities</b>	<b>889,000</b>	<b>304,000</b>

Pension Scheme liabilities accrue over employees' 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 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.

The value of the liability 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 increase in salaries, the value of the pension liability will increase or decrease. The Scheme Manager accepts 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 Note 14.4. 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.

### 14.3 Sensitivity analysis

A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period is included below.

#### *Change in assumptions:*

		<u>Approximate effect on total liability</u>	
<b>Financial assumptions</b>			
(i) discount rate*	+0.5% a year	-14.0%	-£125,000
(ii) pension increase*	+0.5% a year	+16.5%	+£145,000
<b>Demographic assumptions</b>			
(iii) additional 1 year increase in life expectancy at retirement*		+4.0%	+£35,000

\* *Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.*

### 14.4 Analysis of movements in the Scheme liability

	<u>Note</u>	<u>2016-17 £</u>	<u>2015-16 £</u>
<b>Scheme liability at 1 April</b>		304,000	-
Current service cost	6	334,000	316,000
Past service cost	6	-	-
Pension financing cost	9	17,000	6,000
Enhancements	7	-	-
Pension transfers in	4	-	-
Benefits payable	14.5	-	-
Actuarial (gain)/loss	14.7	234,000	(18,000)
<b>Scheme liability at 31 March</b>		<u><b>889,000</b></u>	<u><b>304,000</b></u>

During the year ended 31 March 2017, employer contributions represented an average of 38.20% (2015-16: 38.20%) of pensionable pay. For 2017-18 contributions are expected to be £390,000.

**14.5 Analysis of benefits paid**

	<b>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	-	-
Commutations and lump sum benefits on retirement	-	-
<b>Total benefits paid</b>	<b>-</b>	<b>-</b>

**14.6 Analysis of payments to and on account of leavers**

	<b>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
Refunds to members leaving service	-	-
Individual transfers to other schemes	-	-
<b>Total payments to and on account of leavers</b>	<b>-</b>	<b>-</b>

**14.7 Analysis of actuarial gain/(loss)**

	<b>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
Experience gains/(losses) arising on the Scheme liabilities	7,000	7,000
Changes in assumptions underlying the present value of Scheme liabilities	(241,000)	11,000
<b>Total actuarial gain/(loss)</b>	<b>(234,000)</b>	<b>18,000</b>

**14.8 History of experience gains/(losses)**

	<b>2016-17</b>	<b>2015-16</b>
Experience gains/(losses) arising on the Scheme liabilities:		
- Amount (£)	£7,000	£7,000
- Percentage of the present value of the Scheme liabilities	0.79%	2.30%

**15. Financial Instruments**

As the cash requirements of the Scheme 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 to little credit, liquidity or market risk.

## 16. Contingent liabilities disclosed under IAS 37

In January 2017, the Employment Tribunal for England and Wales ruled that a group of claimant judges had been subject to age discrimination when they were transferred to the New Judicial Pension Scheme established in April 2015. Under transitional provisions older colleagues were able to remain in the existing final salary scheme. The Government is currently appealing that judgment. In a similar age discrimination case brought by members of the Firefighters pension scheme, the Employment Tribunal ruled that the transitional provisions were a proportionate means of achieving a legitimate aim and so do not give rise to unlawful age discrimination. Similar claims have been issued by members of the NIJPS. Subject to the outcome of these cases there may be financial implications for the Northern Ireland Judicial Pension Scheme but no provision has been included in the financial statements at this stage.

In February 2017, the Supreme Court ruled that a particular regulation requiring a signed nomination form from a member of the Northern Ireland Local Government Pension Scheme, in order to entitle an unmarried partner to survivor benefits in the scheme, was unlawful (the Brewster judgment). The Government will consider what, if any, implications this ruling may have for other public service pension schemes. Given the uncertainty regarding the future implications, no provision has been included in the financial statements of the Northern Ireland Judicial Pension Scheme at this stage.

## 17. Related party transactions

The Scheme falls within the ambit of the Department of Justice. The Department is regarded as a related party with which the Scheme has had various material transactions during the year.

In addition, the Scheme has had material transactions with other government departments and other central government bodies whose employees are members of the Scheme namely the Department for Communities and the Department for the Economy.

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

## 18. Events after the reporting date

There were no events after the reporting date that required adjustment to or disclosure in these financial statements.

### Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on 27 June 2017.



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