
Northern Ireland Judicial Pension Scheme Annual Report and Accounts For the year ended 31 March 2018

*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*

4 July 2018

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Annual Report and Accounts
For the year ended 31 March 2018**

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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 eligible devolved judicial office holders. 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.

Scheme Manager

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.

Scheme Advisory Board

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:

Name	Board role	Other relevant position held	How appointed
Jill Youds	Independent Chair	Chair, Judicial Pension Board (Ministry of Justice)	By Department of Justice
Peter Luney	Employer representative	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

Pension Board

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:

Name	Board role	Other relevant position held	How appointed
Jill Youds	Independent Chair	Chair, Judicial Pension Board (Ministry of Justice)	By Scheme Manager
Peter Luney	Employer representative	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	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 2017. 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.

Annual rate of pensionable earnings 2017-18	Rate of member contributions
Up to but not including £15,001	4.60%
£15,001 to but not including £21,423	4.60%
£21,423 to but not including £51,006	5.45%
£51,006 to but not including £150,001	7.35%
£150,001 and above	8.05%

Annual rate of pensionable earnings 2018-19	Rate of member contributions
Up to but not including £15,001	4.60%
£15,001 to but not including £21,637	4.60%
£21,637 to but not including £51,516	5.45%
£51,516 to but not including £150,001	7.35%
£150,001 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) 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 member 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 carried out according to DoF Directions and are scheduled to take place every four years, with the next valuation to take effect from 1 April 2019. If a relevant valuation indicates that the calculated cost cap has moved significantly away from the initial cost cap (two percentage points either above or below), the Scheme must take action to bring costs back to within the cost cap limits. 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:

<u>Active members</u>	<u>2017-18 Total</u>	<u>2016-17 Total</u>
Members at 1 April	39	35
<i>Add:</i>		
New entrants	8	4
Transfers in	-	-
<i>Less:</i>		
Retirements	-	-
Deaths in service	-	-
Transfers out	-	-
Members at 31 March	<u>47</u>	<u>39</u>

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:

	<u>Department for Communities</u>	<u>Department for the Economy</u>	<u>Department of Justice</u>	<u>2017-18 Total</u>	<u>2016-17 Total</u>
Salaried members	1	1	1	3	3
Fee-paid members	38	6	0	44	36
Total	<u>39</u>	<u>7</u>	<u>1</u>	<u>47</u>	<u>39</u>

Financial position at 31 March 2018, 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 absence of an Assembly.

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

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 2017-18.

Names and addresses relevant to the Scheme

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

REPORT OF THE ACTUARY

Introduction

1. This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Department of Justice (DoJ). It provides a summary of GAD's assessment of the Scheme liability in respect of the Northern Ireland Judicial Pension Scheme (NIJPS) as at 31 March 2018, and the movement in the Scheme liability over the year 2017-18, prepared in accordance with the requirements of Chapter 9 of the 2017-18 version of the *Financial Reporting Manual*.
2. The NIJPS is a defined benefit pension scheme, providing pension and lump sum benefits on retirement, death and resignation. The Scheme is wholly unfunded. I am not aware of any informal practices operated within the Scheme which lead to a constructive obligation.
3. The assessment has been carried out by calculating the liability as at 31 March 2018 by rolling forward the liabilities as at 31 March 2015 (which were nil because the Scheme was set up on 1 April 2015).

Membership data

4. **Table A** summarises the principal membership data as at 30 September 2015, supplemented by the cash flow data provided by DoJ used to prepare this statement.

Table A - Active members

Number of members	Total salaries 2015-16 £000	Total salaries 2016-17 £000	Total salaries 2017-18 £000
33	754	825	850

Methodology

5. The present value of the liabilities as at 31 March 2018 has been determined using the Projected Unit Credit Method (PUCM) and the demographic and financial assumptions applying as at 31 March 2018. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2018 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2017 in the 2016-17 accounts.
6. 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.

Financial assumptions

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

Table B - Principal financial assumptions

Assumption	31 March 2018	31 March 2017
	pa	pa
Nominal discount rate	2.55%	2.80%
Rate of pension increases	2.45%	2.55%
Real discount rate in excess of pension increases	0.10%	0.24%
Expected return on assets	n/a	n/a

8. The assessment of liabilities allows for the known pension increases up to and including April 2018.

Demographic assumptions

9. **Table C** summarises the mortality assumptions adopted to prepare this statement. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (CMI) [part of the Actuarial Profession] known as the 'S2 tables' with the percentage adjustments to those tables derived from Scheme experience.

Table C - Post-retirement mortality assumptions

Baseline Mortality	Standard Table*	Adjustment
Males	S2NMA_L	92%
Females	S2NFA	80%

* From the 'S2' series of standard tables published by the CMI and based on the experience of self-administered pension schemes. Separate tables are available based on experience of members retiring in normal and ill-health and for dependants.

10. These assumptions are the same as those recommended for the 2016 valuation of the UK Ministry of Justice's Judicial Pension Schemes. Note that the accounts as at 31 March 2017 were based on the assumptions adopted for the 2012 valuation of that scheme.

11. Mortality improvements are assumed to be in line with the latest 2016-based principal population projections for the United Kingdom published by the Office for National Statistics on 26 October 2017. Note that the accounts as at 31 March 2017 were based on the previous 2014-based projections.

Liabilities

12. **Table D** summarises the assessed value as at 31 March 2018 of benefits accrued under the Scheme prior to this date based on the data, methodology and assumptions described in paragraphs 4 to 11. The corresponding figures for the previous year are shown for comparison.

Table D - Statement of Financial Position

	31 March 2018	31 March 2017
	£000	£000
Total market value of assets	Nil	Nil
Value of liabilities	1,403	889
Surplus/(Deficit)	(1,403)	(889)
of which recoverable by employers	n/a	n/a

Accruing costs

13. The cost of benefits accrued in the year ended 31 March 2018 (the current service cost) is assessed as 56.8% of pensionable pay.

14. For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. Members contributed between 4.6% and 8.05% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. **Table E** shows the employer and employee contributions during the year 2017-18 as a percentage of pensionable pay, and compares the total contributions with the current service cost assessed for the 2017-18 accounts.

Table E - Contribution rate

	2017-18	2016-17
	% of pay	% of pay
Employer contributions (excluding expenses*)	38.2%	38.2%
Employee contributions (average)	6.40%	6.30%
Total contributions	44.6%	44.5%
Current service cost (expressed as a % of pay)	56.8%	40.5%

*In addition, employers contributed 0.25% pay in respect of expenses.

15. The key difference between the assumptions used for funding valuations and accounts is the discount rate, although price inflation is also determined differently. The discount rate for accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.

16. The pensionable payroll for the financial year 2017-18 was £850,000 (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2017-18 (at 56.8% of pay) is assessed to be £483,000.

17. Past service costs arise when an employer undertakes to provide a different level of benefits that previously promised. I am not aware of any events that have led to a material past service cost over 2017-18.

18. I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2017-18.

Sensitivity analysis

19. 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 2018 of changes to the most significant actuarial assumptions.

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

21. **Table F** shows the indicative effects on the total liability as at 31 March 2018 of changes to these assumptions (rounded to the nearest 0.5%).

Table F - Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability*	
Financial assumptions			
(i) discount rate**:	+0.5% a year	-14%	-£200,000
(ii) pension increases**:	+0.5% a year	+16.5%	+£230,000
Demographic assumptions			
(iii) additional 1 year increase in life expectancy at retirement		+4%	+£60,000

* Positive numbers indicate an increase in the liability; negative numbers indicate a decrease in the liability.

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

Michael Scanlon FIA
Deputy Chief Actuary
Government Actuary's Department

14 May 2018

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*.

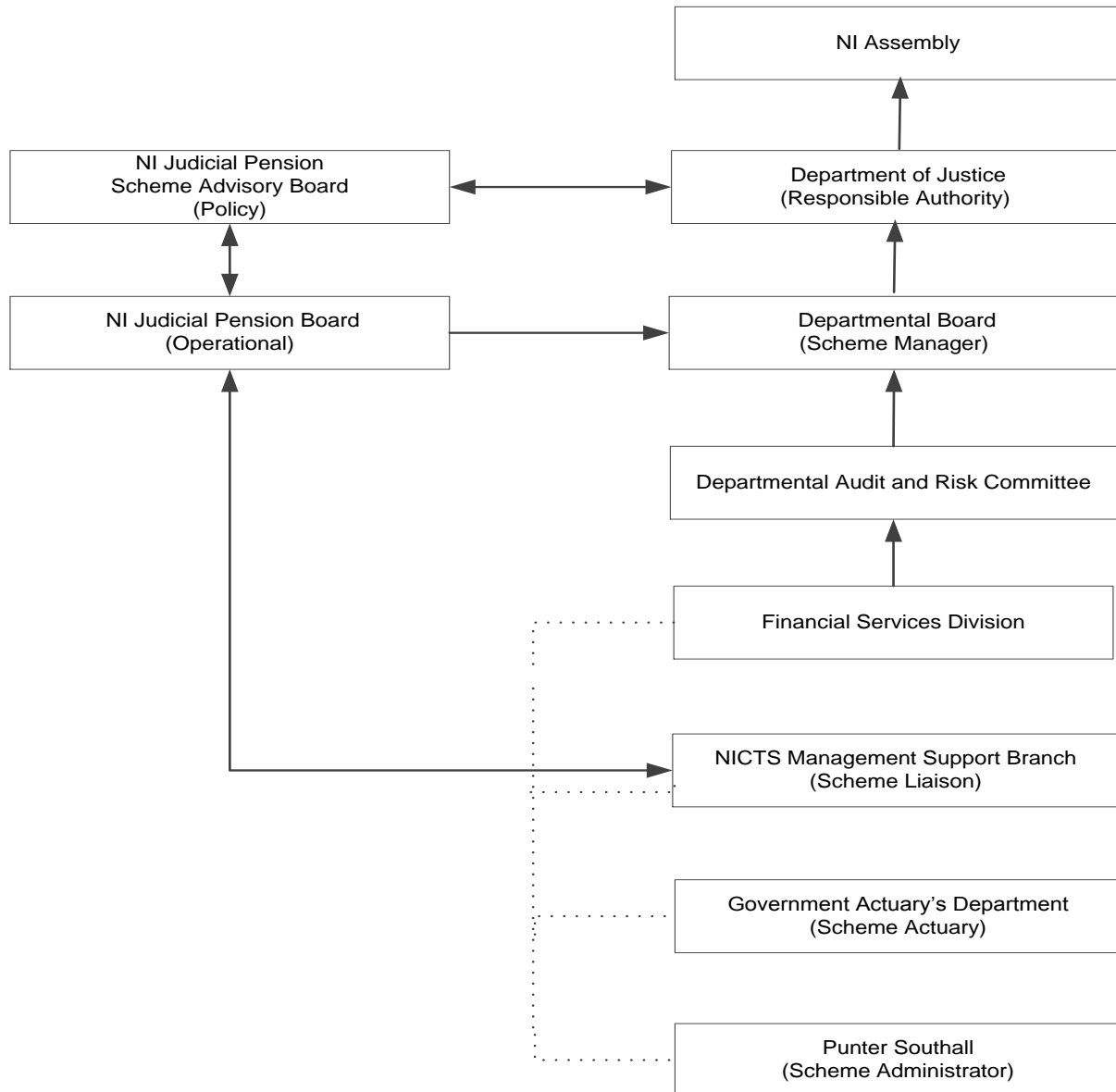
The Accounting Officer is required to confirm that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

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 role of the Board is as set out previously in the Directors' Report. Key work of the Departmental Board during the year included:

- delivery of the Department's key priorities against the Business Plan 2017-18 within the constraints of significant financial pressures and political uncertainty;
- contributing to the delivery of the draft Programme for Government;
- monitoring and mitigating against Departmental risks;
- overseeing the management of the Department's resources including staff, information, physical and financial resources including the Department's readiness for the introduction of the General Data Protection Regulations;
- reviewing the Department's Business Continuity Plan;
- working collaboratively with the Department's Strategic HR Business Partner to plan, monitor and address HR issues; and
- monitoring the Department's legislative programme.

Attendance by members is shown below for the 11 meetings of the Board during 2017-18:

POSITION	MEMBER	ATTENDANCE
Permanent Secretary	Nick Perry, CB (Chair)	11/11
Director, Safer Communities	Anthony Harbinson	10/11
Director, Access to Justice	David A Lavery, CB	11/11
Director, Justice Delivery	Lianne Patterson	9/11
Director, Reducing Reoffending	Ronnie Armour	8/11
Non-Executive Member	Clarke Black	11/11
Non-Executive Member	Heather Baily (from 1 August 2017)	6/7

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 two other members. Other DARC attendees include the Directors of Safer Communities, Justice Delivery and Reducing Offending together with representatives from the Northern Ireland Audit Office (NIAO), Internal Audit, Financial Services Division and the Risk Improvement Manager.

Attendance by members is shown below for the four meetings of the Committee during 2017-18:

POSITION	MEMBER	ATTENDANCE
Non-Executive Member	Clarke Black	4/4
Non-Executive Member	Heather Baily (from 1 August 2017)	3/3
Independent Member	David Small	1/4

Key work of the DARC included consideration of:

- NIAO audit strategy and reports to those charged with governance;
- Internal Audit's plan including strategy, activity reports and progress updates;
- Head of Internal Audit's annual opinion and report;
- risk management and corporate governance;
- financial governance, fraud reporting and accountability grids;
- annual reports and accounts;
- audit qualification issues and recommendations from Public Accounts Committees and Value for Money reports;
- programme and project management delivery confidence landscape; and
- information assurance report.

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 2017-18:

POSITION	MEMBER	ATTENDANCE
Chair	Jill Youds	4/4
Employer representative	Peter Luney	4/4
Member representative	Neil Drennan QC	4/4
Independent Board Member	Susan Andrews	4/4

Key work of the Pension Board included:

- monitoring the risk register of the Scheme;
- reviewing performance of the Scheme administrators;
- preparing the annual report for the Scheme Manager to provide assurance that the Pension Board has fulfilled its roles and responsibilities; and
- observing the Judicial Pension Board and Scheme Advisory Board for judiciary in England and Wales. This involved the consideration of scheme valuation directions.

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 2017-18.

Internal Audit

Internal Audit services to the Department are provided by a Group Internal Audit and Fraud Investigation Service ('the Group Service') which was fully centralised within DoF in October 2017. Internal Audit staff are outposted from DoF to DoJ to deliver the Internal Audit service to the Core Department, its agencies and a number of its arm's length bodies (ALBs).

A Memorandum of Understanding and Service Level Agreement covering the Internal Audit arrangements have been agreed between DoF and DoJ. The SLAs in relation to agencies and ALBs are currently being updated to include a Data Sharing Agreement to ensure compliance with the General Data Protection Regulation.

Information Risk Owners Council (IROC)

IROC members are accountable for the management of the information assurance risks in their respective business areas. As a Council it reports to the Senior Information Risk Owner (SIRO) and consults with the Department's Departmental Security Officer. The membership is made up of lead senior representative Information Asset Owners at Senior Civil Service (SCS) level drawn from across the business areas of the Department, agencies and ALBs. The Departmental Information Manager (DIM) attends IROC ex officio, as the responsibilities of the post include Data Protection and relations with the Information Commissioner. The role of the Council is to ensure that the value of information the Department holds or uses is identified and utilised to the fullest extent to support the Government's strategic objectives, while understanding the risks to information and ensuring that the necessary controls are in place to protect information from inappropriate use. The members are also responsible for managing all information in their business areas in ways that preserve its confidentiality, integrity and availability appropriately.

Implementation of the new European General Data Protection Regulation (GDPR) on 25 May 2018 saw the raising of the bar for the assurance of personal data, and IROC has oversight of how this is rolled out within DoJ. During the year, the Chief Information Officer led a GDPR implementation project, to ensure the Department and its agencies were ready for the new data protection regime coming into force. Relevant policies and procedures have been revised, awareness sessions have been conducted and a Data Protection Officer will be appointed. Although the Bill is still subject to amendments, the Department is compliant with the main requirements.

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 Departmental 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:

- 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 IROC and Procurement Governance Board.

Assurance on risk management in the Department's agencies and ALBs is provided in the form of bi-annual stewardship statements and annual governance statements, which are signed by the designated Accounting Officers. The quality of the information received by the Board proved satisfactory.

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 Northern Ireland Block's agreed allocations and controls.

3. Review of effectiveness of the governance framework

The Accounting Officer has 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;
- management statement and financial memorandum with sponsored bodies;
- governance reviews;
- sponsor control monitoring;
- annual governance statements;
- stewardship statements; and
- independent reviews by Internal Audit

Information presented to the Board is fundamental for its assessment and understanding of the performance of the department. The Board receives a variety of standard information, and other papers, which are quality reviewed by the Board secretariat. The information received is considered to be of a high standard and allows the Board to be kept informed of any issues that it needs to be aware of to support decision making and drive improvement. The Board considers that it is fulfilling its governance requirements.

For the period covered by this Annual Report and Accounts the Department operated without a Minister. No Ministerial Directions were 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 a 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.

In addition, independent assurance is provided by the Department's Internal Audit service, provided by DoF, operating to Public Sector Internal Audit Standards. Internal Audit delivers 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 Opinion on the level of assurance that can be provided based on the work done. For the 2017-18 year an overall satisfactory assurance was provided. A small number of internal audits provided limited assurance and the implementation of any priority 1 recommendations relating to these audits will be subject to review by both the Departmental Audit and Risk Committee and Internal Audit.

ASSEMBLY ACCOUNTABILITY**STATEMENT OF ASSEMBLY SUPPLY****Summary of Resource Outturn 2017-18**

	Estimate			Outturn			2017-18 £	2016-17 £	
	Net	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total Outturn compared with Estimate: saving/(excess)	Net Total
Request for Resources A		1,800,000	(1,200,000)	600,000	515,000	(401,077)	113,923	486,077	(16,604)
Total Resources	SOAS 1	1,800,000	(1,200,000)	600,000	515,000	(401,077)	113,923	486,077	(16,604)

Net Cash Requirement 2017-18

	Note	Estimate	Outturn	2017-18 £	2016-17 £
Net Cash Requirement	SOAS 2	350,000	-	350,000	-

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	2017-18 £ Forecast Receipts	2017-18 £ Income	2017-18 £ Outturn Receipts
Total	SOAS 3	-	-	401,077	378,528

The notes on pages 33 to 44 form part of these accounts.

SOAS 1 Reconciliation of Net Resource Outturn to Net Expenditure

			2017-18 £	2016-17 £
	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	113,923	600,000	486,077	(16,604)
Net Expenditure in Statement of Comprehensive Expenditure	113,923	600,000	486,077	(16,604)

SOAS 2 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate	Outturn	2017-18 £ Net Total Outturn compared with Estimate: saving/ (excess)
Net Resource Outturn	SOAS 1	600,000	113,923	486,077
Accruals adjustments				
<i>Adjustments to remove non-cash items:</i>				
New provisions and adjustments to previous provisions		(1,800,000)	(483,000)	(1,317,000)
Other non-cash items		-	(32,000)	32,000
Use of pension provision		1,550,000	-	1,550,000
Excess cash receipts surrenderable to the Consolidated Fund	SOAS 3	-	401,077	(401,077)
Net Cash Requirement		350,000	-	350,000

The notes on pages 33 to 44 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 2017-18 £		Outturn 2017-18 £	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
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	-	-	401,077	378,528
Total income payable to the Consolidated Fund		-	-	401,077	378,528

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

	Note	2017-18 £	2016-17 £
Operating income	3	401,077	367,604
Income authorised to be Accruing Resources		(401,077)	(367,604)
Operating income payable to the Consolidated Fund	SOAS 3	-	-

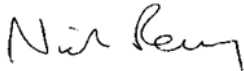
The notes on pages 33 to 44 form part of these accounts.

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 2017-18 that require disclosure. As per Note 16 to the accounts, there were no contingent liabilities during 2017-18 that require disclosure under IAS 37.

ACCOUNTABILITY REPORT

Nick Perry CB
Accounting Officer

18 June 2018

The notes on pages 33 to 44 form part of these accounts.

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

Opinion on financial statements

I certify that I have audited the financial statements of the Northern Ireland Judicial Pension Scheme (NIJPS) for the year ended 31 March 2018 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Assembly Supply, and the related notes and the information in the Accountability report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of scheme's affairs as at 31 March 2018 and of its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

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 2018 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Northern Ireland Judicial Pension Scheme in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

The Board and the Accounting Officer are responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in the report as having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with the Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001.

I am required to obtain 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the 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 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**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 and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

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*

28 June 2018

FINANCIAL STATEMENTS**Statement of Comprehensive Net Expenditure**

For the year ended 31 March 2018

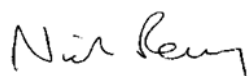
	Note	2017-18 £	2016-17 £
Income			
Contributions receivable	3	401,077	367,604
Transfers in	4	-	-
Other pension income	5	-	-
Expenditure			
Service cost	6	(483,000)	(334,000)
Enhancements	7	-	-
Transfers in	8	-	-
Pension financing cost	9	(32,000)	(17,000)
Net (expenditure)/income	SOAS 1	<u>(113,923)</u>	<u>16,604</u>
Other comprehensive net expenditure:			
Pension re-measurements - actuarial gain/(loss)	14.7	1,000	(234,000)
Comprehensive net (expenditure)/income for the year		<u>(112,923)</u>	<u>(217,396)</u>

The notes on pages 33 to 44 form part of these accounts.

Statement of Financial Position

As at 31 March 2018

	Note	2018 £	2017 £
Current assets			
Receivables	11	413,936	397,268
Cash and cash equivalents	12	-	-
Total current assets		413,936	397,268
Current Liabilities			
Payables	13	(413,936)	(397,268)
Total current liabilities		(413,936)	(397,268)
Net current assets/(liabilities) excluding pension liability		-	-
Pension liability	14	(1,403,000)	(889,000)
Net liabilities, including pension liability		(1,403,000)	(889,000)
Taxpayers' equity			
General fund		(1,403,000)	(889,000)
Total taxpayers' equity		(1,403,000)	(889,000)



Nick Perry CB
Accounting Officer

18 June 2018

The notes on pages 33 to 44 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2018

	Note	General Fund 2017-18 £	General Fund 2016-17 £
Balance at 1 April		(889,000)	(304,000)
CFERs payable to the Consolidated Fund	13	(401,077)	(367,604)
Comprehensive net (expenditure)/income for the year		(113,923)	16,604
Actuarial gain/(loss)	14.7	1,000	(234,000)
Net change in Taxpayers' Equity		<u>(514,000)</u>	<u>(585,000)</u>
Balance at 31 March		<u>(1,403,000)</u>	<u>(889,000)</u>

The notes on pages 33 to 44 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2018

	Note	2017-18 £	2016-17 £
Cash flows from operating activities			
Net (expenditure)/income for the year		(113,923)	16,604
Adjustment for non-cash transactions		-	-
(Increase)/decrease in receivables	11	(16,668)	(48,553)
<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	16,668	48,553
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		(16,668)	(48,553)
Increase/(decrease) in pension provision	14.4	515,000	351,000
Use of provisions		-	-
Net cash outflow from operating activities		384,409	319,051
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		-	-
From the Consolidated Fund (non-Supply)		-	-
Net financing		-	-
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		384,409	319,051
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		-	-
Payments of amounts due to the Consolidated Fund		(384,409)	(319,051)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		-	-
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period		-	-

The notes on pages 33 to 44 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 2017-18 *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 members 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. Members' 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 members' 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 members' 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 has been calculated using a nominal discount rate of 2.80% pa as at 31 March 2017. It also allows for movements in the Scheme liability over the year 2017-18.

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 2018, being 0.10% real rate (i.e. 2.55% 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 2016, 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 members' 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

	2017-18 £	2016-17 £
Employers:		
- Normal	343,983	315,302
- Purchase of added years	-	-
Members:		
- Normal	57,094	52,302
- Purchase of added years	-	-
	401,077	367,604

£420,000 contributions are expected to be payable to the Scheme in 2018-19.

4. Transfers in

	2017-18 £	2016-17 £
Group transfers in from other schemes	-	-
Individual transfers in from other schemes	-	-
	-	-

5. Other pension income

	2017-18 £	2016-17 £
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	-	-
	-	-

6. Service cost

	Note	2017-18 £	2016-17 £
Current service cost	14.4	483,000	334,000
Past service cost	14.4	-	-
		483,000	334,000

7. Enhancements

	2017-18 £	2016-17 £
Members:		
- 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

	2017-18 £	2016-17 £
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	2017-18 £	2016-17 £
Net interest on defined benefit liability	14.4	32,000	17,000
		<u>32,000</u>	<u>17,000</u>

10. Additional Voluntary Contributions (AVCs)

There were no AVCs during 2016-17 or 2017-18.

11. Receivables - contributions due in respect of pensions

	2017-18 £	2016-17 £
Amounts falling due within one year:		
Pension contributions due from employers	30,584	11,342
Members' normal contributions	4,824	1,517
Capitalised cost of enhancement to pensions payable on departure	-	-
Amount due from Ministry of Justice	377,758	383,639
Other receivables	770	770
Amount due from the Consolidated Fund in respect of supply	-	-
Amounts falling due within one year	413,936	397,268
Amounts falling due after more than one year	-	-
Total receivables	413,936	397,268

Included within these figures is £413,936 (2016-17: £397,268) that will be due to the Consolidated Fund once the debts are collected.

12. Cash and cash equivalents

	2017-18 £	2016-17 £
Balance at 1 April	-	-
Net change in cash balances	-	-
Balance at 31 March	-	-
The following balances at 31 March were held at:		
Commercial banks and cash in hand	-	-
Balance at 31 March	-	-

13. Payables - in respect of pensions

	2017-18 £	2016-17 £
Amounts falling due within one year:		
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	378,528	384,409
- Receivable	35,408	12,859
Amounts falling due within one year	413,936	397,268
Amounts falling due after more than one year	-	-
Total payables	413,936	397,268

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 2018. 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 2018	At 31 March 2017
Rate of increase in pensions in payment and deferred pensions	2.45%	2.55%
Inflation assumption*	2.45%	2.55%
Nominal discount rate	2.55%	2.80%
Discount rate net of price inflation	0.10%	0.24%

*The inflation assumptions shown are based on CPI.

Post-retirement mortality assumption:

Baseline Mortality	Standard Table*	Adjustment
Males	S2NMA_L	92%
Females	S2NFA	80%

* From the 'S2' series of standard tables published by the CMI and based on the experience of self-administered pension schemes. Separate tables are available based on experience of members retiring in normal and ill-health and for dependants.

Life expectancies*:

	31 March 2018 (Years)	31 March 2017 (Years)
Life expectancy at age 65 - current pensioners	24.6	25.3
Men	26.3	26.9
Women		
Life expectancy at age 65 - current age 45		
Men	26.5	27.5
Women	28.2	29.0

* In all cases, life expectancies relate to members retiring in normal health.

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:

	2017-18 £	2016-17 £
Active members (past service)	1,403,000	889,000
Deferred members	-	-
Pensions in payment	-	-
Total liabilities	1,403,000	889,000

Pension Scheme liabilities accrue over members' 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:

	Approximate effect on total liability*		
Financial assumptions			
(i) discount rate**:	+0.5% a year	-14%	-£200,000
(ii) pension increases**:	+0.5% a year	+16.5%	+£230,000
Demographic assumptions			
(iii) additional 1 year increase in life expectancy at retirement		+4%	+£60,000

* Positive numbers indicate an increase in the liability; negative numbers indicate a decrease in the liability.

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

14.4 Analysis of movement in the Scheme liability

	Note	2017-18 £	2016-17 £
Scheme liability at 1 April		889,000	304,000
Current service cost	6	483,000	334,000
Past service cost	6	-	-
Pension financing cost	9	32,000	17,000
Enhancements	7	-	-
Pension transfers in	4	-	-
Benefits payable	14.5	-	-
Actuarial (gain)/loss	14.7	(1,000)	234,000
Scheme liability at 31 March		1,403,000	889,000

Contribution rates

	2017-18 % of pay	2016-17 % of pay
Employer contributions (excluding expenses*)	38.2%	38.2%
Employee contributions (average)	6.4%	6.3%
Total contributions	44.6%	44.5%

*In addition, employers contributed 0.25% pay in respect of expenses.

Employer contributions (excluding expenses) are expected to remain at 38.2% pay during the year 2018-19. Contributions are expected to be £420,000 for 2018-19. A valuation of the JPS as at 31 March 2016 is currently in progress, which may result in changes to the employer contribution rate from 1 April 2019. The employee's contribution rate depends on the individual's pensionable pay, and so the average rate will depend on the salary profile of the workforce in future years.

14.5 Analysis of benefits paid

	2017-18 £	2016-17 £
Pensions or annuities to retired members and dependants (net of recoveries or overpayments)	-	-
Commutations and lump sum benefits on retirement	-	-
Total benefits paid	-	-

14.6 Analysis of payments to and on account of leavers

	2017-18	2016-17
	£	£
Refunds to members leaving service	-	-
Individual transfers to other schemes	-	-
Total payments to and on account of leavers	-	-

14.7 Analysis of actuarial gain/(loss)

	2017-18	2016-17
	£	£
Experience gains/(losses) arising on the Scheme liabilities	(6,000)	7,000
Changes in assumptions underlying the present value of Scheme liabilities	7,000	(241,000)
Total actuarial gain/(loss)	1,000	(234,000)

14.8 History of experience gains/(losses)

	2017-18	2016-17
Experience gains/(losses) arising on the Scheme liabilities:		
- Amount (£)	(£6,000)	£7,000
- Percentage of the present value of the Scheme liabilities	(0.43%)	0.79%
Total amount recognised in Statement of Changes in Tax Payers Equity:		
- Amount (£)	£1,000	(£234,000)
- Percentage of the present value of the Scheme liabilities	0.1%	(26.3%)

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's appeal of that judgment was dismissed on 29 January 2018. 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.

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 who have members in 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 period

There were no events after the reporting period 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 28 June 2018.