



Police Service of Northern Ireland

Police Pension Accounts

for the year ended 31 March 2017

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ISBN: 9780339000322

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office



**POLICE SERVICE OF
NORTHERN IRELAND**

Police Pension Accounts For the year ended 31 March 2017

Laid before the Northern Ireland Assembly under Section 12(6)(b)
of the Police (Northern Ireland) Act 2000 as amended by the
Police (Northern Ireland) Act 2003 and the Northern Ireland Act 1998
(Devolution of Policing and Justice Functions) Order 2010

On

07 July 2017

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REPORT OF THE MANAGERS

Introduction

The Police Service of Northern Ireland (PSNI) administers three pension schemes for police officers. The Police Pension Scheme 1987 (now referred to as the 'closed' scheme), the new Police Pension Scheme 2006 (or 'new' scheme), and from 1 April 2015 the 2015 Police Pension Scheme (or 'CARE' scheme). All Schemes are unfunded defined benefit schemes.

The regulations under which the Closed Scheme operates are the Pensions (Northern Ireland) Order 1995 and the RUC Pensions Regulation 1988 with subsequent amendments. The regulations are modified for members of the PSNI Full Time Reserve in accordance with the RUC Reserve (Full Time) Pension Regulations 1994 and subsequent amendments.

The New Police Pension Scheme operates under the Police Pensions (Northern Ireland) Regulations 2007 which apply from 6 April 2006. Entrants to the new scheme were closed on the 31 March 2015.

The 2015 Police Pension Scheme is a Career Average Revalued Earnings (CARE) Scheme governed by the Police Pensions Regulations (NI) 2015. This was the only Scheme open to new entrants during the 2016-17 financial year.

Membership of these Schemes is not compulsory and officers may make other pension arrangements.

All police officers are given a booklet explaining the Scheme rules and main features of the Scheme at induction or training.

The rationale of preparing separate Pension Accounts is to avoid the detail required by IAS 19 (Employment Benefits) and IAS 26 (Retirement Benefits) from overshadowing and drawing attention away from the record of the PSNI's core financial performance.

The Closed Police Pension Scheme, New Police Pension Scheme and CARE Scheme are administered by the Northern Ireland Policing Board and PSNI is designated as the Scheme practitioner.

The rates of contributions and benefits are set by the Department of Justice (DOJ) as directed by Central Government and the Department of Finance (DoF).

Accounts Direction

The Annual Report and Accounts for 2016-17 have been prepared in a form directed by the Department of Justice in accordance with Section 12 (3) of the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

REPORT OF THE MANAGERS (CONTINUED)

PSNI is an executive non-departmental public body of the Department of Justice.

As such, PSNI complies with the corporate governance and accountability framework arrangements (including *Managing Public Money Northern Ireland*) issued by the Department of Finance and Department of Justice.

In accordance with the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010, the Annual Report and Accounts of the PSNI for the year ended 31 March 2017, will be laid before the Northern Ireland Assembly.

REPORT OF THE MANAGERS (CONTINUED)

The Managers, Advisers and Employers for all Schemes were as follows:

Managers:

**Government Department
(Regulatory Authority)**

Department of Justice
Block B
Castle Buildings
Stormont Estate
Belfast
BT4 3SG

Pension Scheme Manager

Northern Ireland Policing Board
Waterside Tower
31 Clarendon Road
Clarendon Dock
Belfast
BT1 3BG

Advisers:

**Accounting Officer & Pension
Scheme Practitioner**

Chief Constable
Police Service of Northern Ireland
Brooklyn
65 Knock Road
Belfast
BT5 6LE

Pension Scheme Actuary

Government Actuary's Department
Finlaison House
15-17 Furnival Street
London
EC4A 1AB

Auditor

Comptroller and Auditor General
for Northern Ireland
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

Bankers

Danske Bank
Donegall Square West
Belfast

The Scheme has no separate bank account. It utilises the banking arrangements of the PSNI.

Employers:

Principal Employer

Police Service of Northern Ireland
Brooklyn
65 Knock Road
Belfast
BT5 6LE

REPORT OF THE MANAGERS (CONTINUED)

Changes to the Schemes

No changes have been made to the employee or employer rates during the 2016-17 year.

Membership Statistics

Details of the current membership of the Closed Police Pension Scheme are as follows:

Active Members

At 1 April 2016	2,418
Transfers in	2
Retirements in the year	(182)
Moved to 2015 Pension Scheme	(81)
Deaths	(3)
Other leavers	(87)
At 31 March 2017	2,067

Deferred Members

At 1 April 2016	1,203
Members leaving who have deferred pension rights	27
Other new deferred pension rights	18
Members taking up deferred pension rights	(54)
At 31 March 2017	1,194

Pensions in Payment	Members	Dependents	Total
At 1 April 2016	12,773	1,855	14,628
Members retiring in year at normal retirement age	247	-	247
Other retirements ¹	160	-	160
New dependents ²	-	127	127
Cessations	(177)	(63)	(240)
At 31 March 2017	13,003	1,919	14,922

Compensation Payments³	Members	Dependents	Total
At 1 April 2016	4	-	4
Members reaching normal retirement age during the year	(3)	-	(3)
At 31 March 2017	1	-	1

¹ Other retirements due to ill health and injury on duty.

² Includes the reinstatement of widow(er)s' pensions.

³ Compensation payments relate to the payment in lieu of pensions to deferred members and are accounted for in the PSNI Main Financial Statements.

REPORT OF THE MANAGERS (CONTINUED)

Details of the current membership of the New Police Pension Scheme are as follows:

Active Members

At 1 April 2016	120
New entrants	-
Moved to 2015 Pension Scheme	(22)
Deaths	-
Other leavers	-
At 31 March 2017	98

Deferred Members

At 1 April 2016	123
Members leaving who have deferred pension rights	24
Members taking up deferred pension rights	(1)
At 31 March 2017	146

Pensions in Payment

	Members	Dependents	Total
At 1 April 2016	-	3	3
Members retiring in year at normal retirement age	-	-	-
Other retirements	-	-	-
New dependents	-	-	-
Cessations	-	-	-
At 31 March 2017	-	3	3

REPORT OF THE MANAGERS (CONTINUED)

Details of the current membership of the CARE Police Pension Scheme are:

Active Members

At 1 April 2016	4,155
New entrants	244
Moved from 1988 Pension Scheme	81
Moved from 2006 Pension Scheme	22
Retirements in year	(2)
Deaths	(3)
Other leavers	(47)
At 31 March 2017	4,450

Deferred Members

At 1 April 2016	22
Members leaving who have deferred pension rights	24
Members taking up deferred pension rights	-
At 31 March 2017	46

Pensions in Payment

	Members	Dependents	Total
At 1 April 2016	1	-	1
Members retiring in year at normal retirement age	-	-	-
Other retirements	2	-	2
New dependents	-	-	-
Cessations	-	-	-
At 31 March 2017	3	-	3

Additional Voluntary Contributions and Stakeholder Pensions

The Secretary of State appointed Equitable Life and Standard Life as providers of the in-house Additional Voluntary Contribution (AVC) Scheme for Police Officers. This is legislated in Statutory Rules of Northern Ireland for the PSNI Pension Scheme. PSNI designated Standard Life as the Stakeholder Pension Provider. PSNI have made known to staff the arrangements and provide a facility for staff to contribute through payroll if they so wish.

£9,183 of contributions have been made by members of PSNI to the scheme during the year (2015-16: £14,287) (see note 10).

There is no in-house AVC Scheme available to members of the New Police Pension Scheme or the CARE scheme.

Financial Position and Going Concern

The Combined Statement of Financial Position (which includes liabilities belonging to the Closed, the New and the CARE Pension Schemes) at 31 March 2017 shows net liabilities of £8.963bn (31 March 2016: £7.206bn). This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met

REPORT OF THE MANAGERS (CONTINUED)

from the PSNI's other sources of income, may only be met by future grant or grant-in-aid from the PSNI's sponsoring Department (DOJ). This is because, under the normal conventions applying to DoF control over income and expenditure, such grants may not be issued in advance of need.

PSNI forms part of the DOJ and is funded via the Department through supply grants from the Northern Ireland Consolidated Fund other than that required to provide the specified services of the specified year, or retained in excess of that need.

Events After the Reporting Period

There are no events occurring after the reporting period which would require amendment to these accounts.

Audit Services

The financial statements for 2016-17 are audited by the Comptroller and Auditor General for Northern Ireland (C&AG), who heads the Northern Ireland Audit Office and is appointed by statute and reports to Northern Ireland Assembly. His certificate and report is produced at pages 23 to 25.

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

The audit fee for the work performed relating solely to the audit of these Financial Statements was £15,000 (2015-16: £15,000). These costs are borne by the PSNI Main Accounts and are excluded from these statements.

The C&AG may also undertake other statutory activities that are not related to the audit of the body's Financial Statements such as Value for Money reports. No such activity relating to the PSNI Pension Accounts took place during the year.

Further Information

A full certified copy of the Police Pension Annual Report and Accounts will be available on the PSNI's website www.psnipolice.uk.

Any enquiries regarding either the PSNI Closed Police Pension Scheme, the New Police Pension Scheme or the CARE Scheme should be addressed to the Head of Pensions Branch, PSNI.

REPORT OF THE ACTUARY

A. Liabilities

The capitalised value as at 31 March 2017 of expected future benefit payments under the Police Pension Schemes, for benefits accrued in respect of employment (or former employment) prior to 31 March 2017, has been assessed using the methodology and assumptions set out in Sections C and D below. The results are broken down, between the various categories of members, as follows:

	Closed Scheme £m	New Scheme £m	CARE Scheme £m
Actives (past service)	2,699.55	370.21	176.58
Deferred Pensioners	296.83	6.70	-
Current Pensioners (excluding injury)	<u>5,400.16</u>	<u>0.77</u>	<u>-</u>
Total	<u>8,396.54</u>	<u>377.68</u>	<u>176.58</u>

B. Accruing Costs

The cost of benefits accruing for each year is met partly by contributions from members, with the employer meeting the balance of the cost. The cost of benefits accruing in the year ended 31 March 2017 is based on a standard contribution rate as determined at the start of the year.

% of pensionable pay

	Closed Scheme	New Scheme	CARE Scheme
Current Service Cost	78%	65.9%	61.5%

For the avoidance of doubt the employer's share of the Current Service Cost determined for the purposes of this exercise is not the same as the actual rate of contributions payable by employers, currently 25.1% of pensionable pay, which was determined based on the methodology and the financial and demographic assumptions adopted for the funding of the scheme.

The pensionable payroll for the financial year 2016-17 was £245.1m (derived from contributions payable by employers over the year). In relation to the pensionable payroll for the financial year, the Current Service Cost is as follows:

	Closed Scheme £m	New Scheme £m	CARE Scheme £m
Current Service Cost	59.37	1.81	61.23

REPORT OF THE ACTUARY (CONTINUED)

C. Methodology

The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM). Under the PUCM, the actuarial liability represents the present value of future benefit payments arising in respect of service prior to the valuation date. In respect of active members, the actuarial liability includes allowance for expected future pay increases up to the assumed date of retirement or exit, and for subsequent pension increases. In respect of pensions in payment and deferred members, the actuarial liability includes allowance for future pension increases (and revaluation in deferment). The liability is calculated based on the principal financial assumptions applying to the 2016-17 Pension Accounts.

D. Assumptions

The assessments have been prepared in accordance with the Financial Reporting Manual (FRM) issued by HM Treasury. The main financial assumptions are set in accordance with the FRM. The assumptions proposed by the Government Actuary's Department and agreed with the PSNI in nominal terms are:

- A long term nominal discount rate of 2.8% pa
- A rate of long-term inflation and pensions increases of 2.55% pa
- A long term rate of earnings increase of 4.55% pa excluding promotional and performance increments
- A short term rate of increase in salaries of 1.00%

The PSNI's workforce is too small to provide sufficient data from which to draw statistically reliable conclusions for all of the assumptions which are to be made. The PSNI has confirmed that demographic assumptions should be derived from aggregate experience across all authorities with officers in the Police Pension Schemes supplemented as necessary by appropriate standard tables. We are not aware of any reason why the PSNI's demographic experience over the long term should be significantly different from the aggregate experience assumed in our assessment.

The new pension scheme that came into force in 2015 may impact the retirement patterns of police. There is no scheme specific experience data available yet to analyse, which would highlight any change in retirement patterns due to the introduction of the new scheme. An adjustment could be based on changes that might be expected to retirement rates, but this will be highly subjective, and there is no guarantee this will accurately reflect the actual future retirement patterns of members or even be a better estimate than the assumption used in the 2012 valuation. I have therefore not made any adjustment to the retirement patterns as a result of the introduction of the new scheme.

REPORT OF THE ACTUARY (CONTINUED)

E. Sensitivity Analysis

The indicative effects on the total liability as at 31 March 2017 of changes to the key financial and demographic assumptions are as follows:

Closed Scheme

Change in Assumption*		Impact on DBO	
		%	£Million
Rate of discounting scheme liabilities	+1/2% a year	(9.0)%	(758.6)
Rate of increase in salaries	+1/2% a year	0.7%	56.8
Rate of increase in pensions/deferred revaluation	+1/2% a year	9.0%	756.5
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.6%	218.7
Early Retirement: each member assumed to retire 1 year earlier than expected		(0.1)%	(11.3)

New Scheme

Change in Assumption*		Impact on DBO	
		%	£Million
Rate of discounting scheme liabilities	+1/2% a year	(16.7)%	(62.9)
Rate of increase in salaries	+1/2% a year	7.6%	28.6
Rate of increase in pensions/deferred revaluation	+1/2% a year	10.2%	38.4
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.1%	7.9
Early Retirement: each member assumed to retire 1 year earlier than expected		(0.3)%	(1.1)

CARE Scheme

Change in Assumption*		Impact on DBO	
		%	£Million
Rate of discounting scheme liabilities	+1/2% a year	(16.9)%	(29.8)
Rate of increase in salaries	+1/2% a year	0.0%	0
Rate of increase in pensions/deferred revaluation	+1/2% a year	20.3%	35.9
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.2%	3.9
Early Retirement: each member assumed to retire 1 year earlier than expected		1.2%	2.2

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the Defined Benefit Obligation (DBO). Doubling the changes in assumptions will produce approximately double the change in the DBO. The sensitivities show the change in assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent.

REPORT OF THE ACTUARY (CONTINUED)

F. Notes

1. We understand that some benefits payable under the PSNI Severance Schemes will be accounted for outside the PSNI Police Pension Accounts. PSNI have instructed us as to which benefits should be included in these statements.
2. The data for this assessment was provided by the PSNI. Full data was provided in respect of the current and former members of the pension scheme as at 31 March 2016, together with summary data as at 31 March 2017.

**Ian Boonin
Fellow of the Institute and Faculty of Actuaries
Government Actuary's Department
27 April 2017**

STATEMENT OF THE CHIEF CONSTABLE'S RESPONSIBILITIES

Under Sections 12(1), (3) of the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003 and the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010, the Chief Constable of the PSNI is required to prepare a statement of accounts on behalf of the Northern Ireland Policing Board, in the form and on the basis directed by the Department of Justice. The annual financial statements are prepared on an accruals basis and must give a true and fair view of the net expenditure, changes in taxpayers' equity and cash flows for the financial year and the balances held at the year end.

The combined financial statements must give a true and fair view of the state of affairs of the PSNI Pension 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 Northern Ireland 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 recommendations of the Actuary.

In preparing the accounts, the Chief Constable of the PSNI is required to comply with the requirements of the Government Financial Reporting Manual, Managing Public Money Northern Ireland and in particular to:

- observe the Accounts Direction issued by the Department of Justice, 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 the going concern basis.

The Accounting Officer for the Department of Justice appointed the Chief Constable of the PSNI as Accounting Officer for the Police Pension Scheme. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Police Pension Scheme, are set out in Managing Public Money Northern Ireland published by DoF.

GOVERNANCE STATEMENT

Scope of responsibility

I have been appointed as the Accounting Officer for the Police Service of Northern Ireland (PSNI), by the Accounting Officer of the Department of Justice (DOJ) to whom I am directly accountable. My responsibilities as the PSNI Accounting Officer are contained in the Police (Northern Ireland) Act 2000, the Department of Finance (DoF) document Managing Public Money Northern Ireland, and the Management Statement and Financial Memorandum agreed with the DOJ.

As the PSNI Accounting Officer I have responsibility for maintaining a sound system of internal control. The internal controls support the achievement of the PSNI's policies, aims and objectives which are set by the Northern Ireland Policing Board (NIPB), while also safeguarding the public funds and assets for which I am personally responsible as Accounting Officer. This responsibility is undertaken in accordance with the requirements of the DoF document Managing Public Money Northern Ireland.

The PSNI Governance Framework

The governance structure of the PSNI reflects our unique statutory position, balancing the need for appropriate controls and oversight, while preserving the operational independence of the role of Chief Constable. This balance is recognised in the Police (Northern Ireland) Act 2000, and the Management Statement and Financial Memorandum issued by the DOJ.

It is essential that the PSNI is seen to uphold the highest standards in its own operations and, for this purpose, I am held to account on a regular basis by the NIPB. The NIPB is a statutory non departmental public body consisting of 10 locally elected political representatives and 9 independent members, to whom I have statutory responsibilities.

I recognise that the governance structures for the PSNI set out within the Police (Northern Ireland) Act 2000, incorporating the oversight functions of the NIPB and PSNI as two separate but linked organisations, are unique and not replicated for any other public sector body. Where the requirements of the Act and the Corporate Governance Code differ, the PSNI will always seek to comply with the Act, which reflects the wishes of Parliament/Assembly. I have assessed the PSNI governance arrangements against the Governance Code and found that the NIPB and the PSNI arrangements when taken together comply with the code to the extent that it is relevant and meaningful.

Police Pensions Scheme framework

The Department of Justice is the Regulatory Authority, and is responsible for setting the benefits to be provided by the Scheme, amending regulations as necessary and making the policy decisions in relation to the operation of the Scheme.

GOVERNANCE STATEMENT (CONTINUED)

Given the Board's role in policing, and particularly in managing police pensions, the NIPB is the PSNI Pension Scheme Manager. As Scheme Manager NIPB is responsible for ensuring the accurate management of benefits and provision of information to members in line with the Scheme rules. NIPB has delegated these functions to PSNI to carry out on their behalf.

PSNI Financial Services Branch therefore carries out the day to day running of the Scheme, including the collection and allocation of contributions and payment of benefits.

The Pensions Board was established to assist the Scheme Manager, ensures compliance with regulations, legislation relating to the governance and administration of the schemes and requirements imposed by the Pensions Regulator. The Board met four times during the 2016-17 year.

The Scheme Advisory Board provides advice to the Department of Justice, as the Regulatory Authority, on the desirability of making changes to this scheme. As well as providing advice and guidance to the Scheme Manager and Pensions Board in relation to the effective and efficient administration and management of the schemes.

Leadership Team

I am supported by a Service Executive Team (SET) consisting of a Deputy Chief Constable, Assistant Chief Constables (ACCs), and a senior staff Director. Details of the current senior leadership team are available within the main PSNI Annual Report and Accounts.

Governance Structure

The leadership team meets formally each month as the Service Executive Board (SEB) to provide executive management and governance to the operations and delivery of the PSNI. The SEB consists of PSNI Senior Management Team plus the Non-Executive Chair of the Audit and Risk Assurance Committee (ARAC). During 2016-17, SEB was supported by three other committees, ServiceFirst Board (SFB), ARAC, and the Strategic Tasking and Coordinating Group (STCG).

The SFB, Performance and Assurance Service Executive Team (PASET) and STCG committees are executive committees and support SEB by making strategic decisions in line with the tone and direction set by SEB.

SEB undertook a self-effectiveness review in April 2017 looking at its performance over the financial year 2016-17, and is satisfied with the level and type of information it received during the period. The SEB provided strategic direction for PSNI over the period.

GOVERNANCE STATEMENT (CONTINUED)

The Audit and Risk Assurance Committee consists entirely of independent members, chaired by an independent Chairperson with three other independent members, and is fully compliant with the National Audit Office, Audit Committee Self-Assessment checklist, and the “HM Treasury Audit Committee Handbook”.

The Audit and Risk Assurance Committee met five times during 2016-17, providing me with assurance on issues of internal control, governance and risk. The Committee is informed from a number of sources, one being the Head of Internal Audit who issues an independent opinion on the adequacy and effectiveness of the PSNI's system of internal control. A satisfactory level of assurance has been provided by Internal Audit in relation to risk management, internal control and governance, with the exception of a number of specific areas. No specific areas of concern related to the PSNI Pension Scheme.

Risk and Control Framework

The SET and SEB assess how the achievement of our policies, aims and objectives might be affected by the risks we face, and the internal control framework is designed to mitigate those risks. The framework has been in place across the 2016-17 year. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, and it therefore provides reasonable rather than absolute assurance of effectiveness.

The internal control framework, which accords with DoF guidance and seeks to reflect best practise, is an ongoing live process identifying and prioritising the risks to the achievement of organisational policies, aims and objectives. I have put in place arrangements to ensure that a proper evaluation of the balance of the cost of control and the risk encountered is part of the PSNI decision making process. The internal control systems ensure that PSNI's assets are utilised with regard to the overall value for money to public funds.

Within PSNI we manage our business with a view to the risks we face, using appropriate control systems. This process is embedded in how we undertake our responsibilities and includes clearly defined policies and processes, effective financial management and the identification and management of risks.

Our ability to handle risk can be clearly seen by the movements on the corporate risk register over the reporting period, with nine new risks coming on and seven risks being removed. There are currently eight risks the Corporate Risk Register, with each one assigned to an individual member of the Service Executive Board.

To ensure that we continue to respond to our changing environment, the PSNI's strategic objectives are translated to our operations through working towards meeting the Northern Ireland Policing Plan, and by clearly defined accountabilities over the delivery of outputs and outcomes. Consideration and mitigation of risk is crucial to the effectiveness of the system of internal control.

GOVERNANCE STATEMENT (CONTINUED)

Policies and instructions on PSNI service delivery and organisational management are developed, reviewed and communicated to staff through training and a variety of internal communications platforms. Following the findings from a number of pieces of work carried out by Internal Audit, PSNI are progressing a programme of work to restructure the policy framework and to ensure that policies and instructions are concise, user-friendly and risk-focussed. Adherence to service instructions is expected of staff and process failures can lead to recommendations re content review, training and/or discipline.

All Chief Officers and Service Managers together with the Audit and Risk Assurance Committee have provided leadership to the risk management process, throughout the reporting period. In addition the Corporate Risk Manager provides training, guidance and support across the organisation to enable all staff to manage risk.

The PSNI has a risk management policy which clearly describes the various roles and responsibilities of relevant positions within the PSNI. The monitoring and reporting of risk management arrangements are included in the policy.

Risk Management

Risk management is embedded into the organisation with each Department and District actively managing individual risk registers, and all have a common theme and link through to the Policing Plan objectives.

The Corporate Risk Register is managed by the Corporate Risk Manager and captures significant risks facing the organisation. The Risk Register is reviewed on a monthly basis at the SFB, with changes to the register approved by the SEB and reported to each ARAC meeting. The effectiveness of the risk management process is reported twice a year to the SFB and the ARAC, it is also used to assist in the Chief Officers Annual Performance Appraisal Process.

Stewardship reporting is a key assurance control for the accountability, ownership and management of risks throughout the PSNI. All Senior Officers provide a statement of risk management assurance twice per year confirming they have reviewed the risks within their area of responsibility, and assessed the management of the risks identified. This is part of a hierarchy of stewardship reporting from District Commanders to ACC's, and from ACC's through to the Stewardship Statement I provide to the Department of Justice at six monthly intervals. In addition during the year, Control Risk Self Assessment processes were carried out and formally reviewed by Internal Audit.

Processes to manage operational risks incorporate those risks identified through the operation of the National Intelligence Model (NIM). The NIM control strategies for each priority are aligned with the actions necessary to manage the identified risk.

GOVERNANCE STATEMENT (CONTINUED)

The PSNI Audit and Risk Assurance Committee, which consists of non-executive members, provides me with assurance that effective risk management, governance and control arrangements are in place. The Audit and Risk Assurance Committee receives regular risk management updates, along with reports from internal and external audit. The DoJ, Policing Board and NIAO have standing invitations to attend the meetings of ARAC as observers, and also contribute to the business at the committee.

Any risks relating to the Police Pension Scheme are managed in accordance with the Corporate Framework.

Statement of Information Risk

Together with the staff of PSNI, I have privileged access to data and information to support the discharge of the policing function and ensure that the work undertaken by PSNI is factual, accurate and complete.

The Service adopts the principles of the Cabinet Office's Security Policy Framework and was certified on 2 March 2017 as compliant with the National Policing Community of Trust Code of Connection. This enables us to securely connect to National Police Information Systems and the Public Service Network for Policing's Protected and Secured Networks. We adopted the Government Security Classification (GSC) policy with effect from 1 June 2016 in line with National Policing Chiefs Council's direction.

During 2016 we revised our Service Policy on Information Management, published a new Acceptable Use Policy and enhanced Risk Appetite Statement covering all our information systems and updated our Service Instructions on Information Security including a detailed review of 31 technical security standards. The vision statement in the current PSNI Information Security Strategy 2015-18 seeks to create a culture that is embedded across the Service which enables the effective use of information to support our strategic policing aims. It supports our overarching intention of 'Keeping People Safe by Keeping Information Safe' in addressing five key strategic themes:

- Maintaining Proportionate and Affordable Risk Management;
- Embedding a Culture of Personal Accountability;
- Supporting Innovation and Transformation of Services;
- Ensuring Safe and Secure Information Sharing;
- Meeting National Policing Obligations.

Assistant Chief Constable Operational Support Department fulfils the role of PSNI Senior Information Risk Owner (SIRO) and is supported by dedicated Information Security and Records Management Units led by the PSNI Accreditor. Strategic Business Owners (Information Asset Owners) at SEB level, supported by a well-established network of Operational Business Owners at individual system level, oversee all of the information assets held by the Service. An internal audit review of Operational Business Owner compliance with Service policy, published in March 2017, resulted in an overall 'Satisfactory' rating.

GOVERNANCE STATEMENT (CONTINUED)

A report on the activities of the Information Security and Records Management Units, including the accreditation status of all the Service's corporate information systems, is presented to the Business User Delivery Group (BUDG) quarterly with incremental reports to the SIRO on a monthly basis. Critical information risk issues are escalated to the Service First Board when necessary.

During 2016 we recognised a corporate risk in relation to our management of records – "If PSNI fails to manage its paper files and electronic records it will be in breach of legislation which may lead to punitive sanctions for legislative and regulatory breaches and loss of public confidence." Action to mitigate this risk is being taken under the governance of the SFB.

Personal Data Related Incidents

As PSNI Accounting Officer I have responsibility for ensuring the security of personal data and to respond if there has been a breach or potential breach of the Data Protection Act. PSNI self-referred three incidents for consideration to the Information Commissioner's Office ('ICO'), two relating to information which had been lost but subsequently recovered and the third concerning disclosure of information practices in PSNI's Protective Disclosure Unit. The ICO investigated these matters, met with the PSNI and reviewed PSNI's Information Security Policies as well as information security and data protection instructions issued to staff and officers. The ICO considered the remedial measures put in place by PSNI were sufficient not to warrant any enforcement action.

The issue of data security and breaches of data protection legislation is one however that PSNI takes very seriously. PSNI's Discipline and Anti-Corruption Branches have been tasked to ensure steps are taken to reduce the risk posed and to ensure that any breaches are dealt with firmly via the relevant misconduct procedures. Part of this work to date has been to conduct a compliance audit of mandatory Data Protection training and to ensure it is being completed in line with PSNI directions. This work will be continuing, and PSNI will take steps to address non-compliance by officers and staff. No personal data incidents in relation to the Police Pension Scheme have been recorded.

Review of Effectiveness

As the PSNI Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control.

My review is informed by the work of the SET within the organisation who have responsibility for the development and maintenance of the internal control framework, and the work undertaken by the Internal and External Auditors during the reporting period. One internal audit report on Pensions was carried out during the 2016-17 year and received a satisfactory level of assurance.

GOVERNANCE STATEMENT (CONTINUED)

Actuarial Assumptions

The actuarial liability included in the accounts at 31 March 2017 has been calculated using financial and mortality assumptions at 31 March 2017, with membership data to 31 March 2017. The remaining actuarial assumptions used are in line with those used for the full actuarial valuation.

Significant Internal Control Issues

I am able to report that there were no significant weaknesses in the PSNI's system of internal controls in 2016-17 which affected the achievement of the PSNI's Pension Schemes key policies, aims, and objectives. I have received assurances from individual Chief Officers in relation to their Departments, and regularly review management reports from the "Overview" system that monitors organisational progress on review recommendations accepted by management. Internal Audit has also provided me with assurance in relation to risk management, the operational effectiveness of internal control systems, and in relation to governance arrangements, no specific areas of concern were noted by Internal Audit in their Annual Assurance Statement relating to the Police Pension Scheme.

No ministerial directions were received during the period.

There are a number of other sources from which I draw assurance on the system of internal control. These include the work of those independent external bodies which provide a challenge function to the work of the PSNI including;

The Northern Ireland Policing Board
The Department of Justice
Northern Ireland Audit Office
Her Majesty's Treasury
The Criminal Justice Inspectorate of Northern Ireland
Her Majesty's Inspectorate of Constabulary
Surveillance Commissioner
Human Rights Commission
The Pensions Regulator

Any issues of control weaknesses, identified from reviews carried out by these independent bodies in 2016-17, have been considered and action taken with progress on actions outstanding monitored through the "Overview" system.

The SEB continues to keep its internal control arrangements under review in response to internal and external developments. The SEB is independently advised by the Audit and Risk Assurance Committee which meets four times per year, and reports through its annual report, and regular meetings between the independent Chair of the Audit and Risk Assurance Committee and the Deputy Chief Constable.

GOVERNANCE STATEMENT (CONTINUED)

Internal Audit submit regular reports on the management of key business risks, and the effectiveness of the system of internal control, making recommendations for improvement where appropriate. This is formally reported to the Audit and Risk Committee at each meeting. Those recommendations accepted by PSNI have been implemented, or, are being implemented against agreed timetables, with those accepted recommendations past their initial planned end date reported to the Audit and Risk Assurance Committee, and quarterly to the Service Executive Board.

Accounting Officer's Statement of Assurance

I have considered the assurances provided by PSNI Senior Officers, the Audit and Risk Assurance Committee, Internal Audit, External Audit and external scrutiny bodies.

As the PSNI Accounting Officer, I am satisfied with the overall effectiveness of the system of internal control and am content that adequate plans exist to address any weaknesses and to ensure continuous improvement.



**George Hamilton
Chief Constable
Police Service of Northern Ireland
22 June 2017**

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

I certify that I have audited the financial statements of the Police Service of Northern Ireland Police Pension Accounts for the year ended 31 March 2017 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) 2003 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. The financial statements comprise the Combined Statement of Comprehensive Net Expenditure, the Combined Statement of Financial Position, the Combined Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Chief Constable and auditor

As explained more fully in the Statement of Responsibilities of the Chief Constable, the Chief Constable as 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 Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) 2003 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. 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 Audit Practice 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 Police Service of Northern Ireland Police Pension Accounts' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Police Service of Northern Ireland Police Pension Accounts; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report of the Managers, Report of the Actuary, Statement of the Chief Constable's Responsibilities and the 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 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.

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND
AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY
(Continued)**

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Police Service of Northern Ireland Police Pension Accounts' affairs as at 31 March 2017 and of its combined net expenditure and of the amount and disposition at that date of its assets and liabilities other than liabilities to pay benefits after the Scheme year end; and
- the financial statements have been properly prepared in accordance with Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) 2003 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 and Department of Justice directions issued thereunder.

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.

Statement about Contributions Payable

In my opinion the contributions payable to the Police Service of Northern Ireland Police Pension Accounts during the year ended 31 March 2017 have in all material respects been paid in accordance with the rules of the Scheme and with the recommendations of the Actuary.

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND
AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY
(Continued)**

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 the information and explanations I require for my audit;
- the Governance Statement does not reflect compliance with Department of Finance's guidance.

Report

I have no observations to make on the financial statements



K J Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
28 June 2017

**POLICE SERVICE OF NORTHERN IRELAND
POLICE PENSION ACCOUNTS FOR YEAR ENDED 31 MARCH 2017**

**COMBINED STATEMENT OF COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2017**

	<u>Note</u>	2016-17 £000	2015-16 £000
Income			
Contributions receivable	3	99,905	98,992
Transfers In	4	<u>424</u>	<u>2,980</u>
		100,329	101,972
Expenditure			
Pension Cost - Current Service Costs	5	(122,410)	(136,740)
Pension Cost - Past Service Costs	5	-	-
Backdated Commutation	6	988	(32,532)
Transfers In	7	(424)	(2,980)
Interest on Scheme Liabilities	8	<u>(256,190)</u>	<u>(269,140)</u>
Gross expenditure		<u>(378,036)</u>	<u>(441,392)</u>
Combined Net Expenditure		<u>(277,707)</u>	<u>(339,420)</u>
Other Comprehensive Net Expenditure			
Recognised gains and losses for the financial year:			
Actuarial (loss)/gain	13.7	<u>(1,635,800)</u>	<u>632,800</u>
Total Comprehensive Net Expenditure for the year ended 31 March 2017		<u>(1,913,507)</u>	<u>293,380</u>

The notes on pages 30 to 53 form part of these accounts.

POLICE SERVICE OF NORTHERN IRELAND
POLICE PENSION ACCOUNTS FOR YEAR ENDED 31 MARCH 2017

**COMBINED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	<u>Note</u>	31 March 2017 £000	31 March 2016 £000
Non- current assets:			
Receivables	11	<u>59</u>	<u>88</u>
		59	88
Current assets:			
Receivables	11	<u>981</u>	<u>1,586</u>
Current Liabilities:			
Payables (within 12 months)	12	<u>(12,944)</u>	<u>(34,808)</u>
Net Current liabilities, excluding pension liability:		<u>(11,963)</u>	<u>(33,222)</u>
Payables (after 12 months)	12	(59)	(88)
Pension Liability:			
Closed Scheme	13.2	(8,396,540)	(6,874,970)
New Scheme	13.3	(377,680)	(242,599)
CARE Scheme	13.4	<u>(176,581)</u>	<u>(54,960)</u>
Net liabilities including pension liabilities		<u>(8,962,764)</u>	<u>(7,205,751)</u>
Taxpayers' Equity:			
General Fund		<u>(8,962,764)</u>	<u>(7,205,751)</u>

The financial statements on pages 26 to 53 were approved and authorised by the PSNI 22 June 17 and were signed on its behalf by:



George Hamilton
Chief Constable
Police Service of Northern Ireland
22 June 2017

The notes on pages 30 to 53 form part of these accounts.

POLICE SERVICE OF NORTHERN IRELAND
POLICE PENSION ACCOUNTS FOR YEAR ENDED 31 MARCH 2017

**COMBINED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR
THE YEAR ENDED 31 MARCH 2017**

	2015-16
	£000
Balance at 31 March 2015	(7,633,492)
Grant from Parent Department	134,361
Combined Net Expenditure for the Year	(339,420)
Actuarial Gain	<u>632,800</u>
Net Change in Taxpayers' Equity	<u>427,741</u>
Balance at 31 March 2016	<u>(7,205,751)</u>
	2016-17
Balance at 31 March 2016	(7,205,751)
Grant from Parent Department	156,494
Combined Net Expenditure for the Year	(277,707)
Actuarial Loss	<u>(1,635,800)</u>
Net Change in Taxpayers' Equity	<u>(1,757,013)</u>
Balance at 31 March 2017	<u>(8,962,764)</u>

The notes on pages 30 to 53 form part of these accounts.

POLICE SERVICE OF NORTHERN IRELAND
POLICE PENSION ACCOUNTS FOR YEAR ENDED 31 MARCH 2017

**COMBINED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 MARCH 2017**

	<u>Note</u>	2016-17 £000	2015-16 £000
Cash Flows from Operating Activities			
Combined Net Expenditure for the year less movement and payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(277,707)	(339,420)
Decrease in Receivables - non-current assets	11	29	53
Decrease/(Increase) in Receivables - current assets	11	605	(895)
(Decrease) in Payables - after 12 months	12	(29)	(53)
(Decrease)/Increase in Payables - within 12 months	12	(21,864)	26,484
Increase in pension provision			
Closed Scheme	13.2	303,720	337,590
New Scheme	13.3	10,580	11,680
Care Scheme	13.4	64,300	56,610
Enhancements and transfers in			
Closed Scheme	13.2	160	1,830
New Scheme	13.3	40	1,140
Care Scheme	13.4	224	10
Use of provision - pension liability			
Closed Scheme -			
Pension Payments	13.2	(195,070)	(188,860)
Gratuities/Commutations	13.2	(41,080)	(39,050)
Payments to and on account of leavers	13.2	(60)	(1,330)
New Scheme -			
Pension Payments	13.3	(20)	(20)
Payments to and on account of leavers	13.3	(29)	(130)
Care Scheme-			
Pension Payments	13.4	(10)	-
Gratuities/Commutations	13.4	(280)	-
Payments to and on account of leavers	13.4	(3)	-
Net Cash outflow from Operating Activities		(156,494)	(134,361)
Cash flows from Financing Activities			
Net Financing		<u>156,494</u>	<u>134,361</u>
Net Increase/(Decrease) in Cash and cash equivalents in the period		=====	=====

The notes on pages 30 to 53 form part of these accounts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. Basis of preparation of the Pension Accounts

The PSNI Pension Accounts have been prepared in accordance with the relevant provisions of the 2016-17 Government Reporting Manual (FReM) issued by the DoF. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS 19 Employee Benefits and IAS 26 Retirement Benefits are of particular relevance to these statements. These accounts show the unfunded pension liabilities and movements in those liabilities during the year. The accounts also have regard to the recommendations of the Statement of Recommended Practice (SORP) Financial Reports of Pension Schemes to the extent that these are appropriate, together with section 12-(3) of the Police (Northern Ireland) Act 2000 as amended by section 7-(4) of the Police (Northern Ireland) Act 2003 and the Northern Ireland Act 1998 (Devolution of Policing Functions) 2010 and the Accounts Direction from the DOJ.

The PSNI Pension Scheme is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the PSNI on the behalf of members of the PSNI 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 DOJ. The contributions partially fund payments made by the Scheme, the balance of funding being provided by DOJ through the annual Supply Estimates process. The administration expenses associated with the operation of the Scheme are borne by PSNI and reported in the PSNI Main Accounts.

The Financial Statements summarise the transactions of the Closed Police Pension Scheme, the New Police Pension Scheme and the CARE Scheme. The Consolidated Statement of Financial Position shows the deficits on each scheme; the Statement of Comprehensive Net Expenditure shows the total of the movements from each scheme liability analysed between the pension cost, enhancements and transfers in, and the interest on the scheme liability. The actuarial position of each pension scheme is dealt with in the Report of the Actuary (Pages 10 - 13), and the Pension Accounts should be read in conjunction with that report.

2. Statement of accounting policies

The accounting policies contained in the FReM follow International Financial Reporting Standards to the extent that it is meaningful and appropriate to 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 accounts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

The Statement of Financial Position at the 31 March 2017 shows a liability of £8.96bn. This reflects the inclusion of liabilities falling due in future years which are to be financed by drawings from the Northern Ireland Consolidated Fund. Such drawings will be from grants in aid approved annually by the Northern Ireland Assembly, to meet the Net Cash Requirement of the DOJ which funds the PSNI Pension Scheme. Under the Government Resources and Accounts Act NI 2001, no money may be drawn from the Fund by the DOJ other than required for the service of the specified year or retained in excess of that need.

There is no reason to believe that the future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the PSNI's Police Pension Accounts for 2016-17.

2.2 Contributions receivable

Employers' normal pension contributions are accounted for on an accruals basis.

Employers' special pension contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of such an agreement, on a cash basis.

Employees' pension contributions which exclude amounts paid in respect of the purchase of added years and Additional Voluntary Contributions are accounted for on an accruals basis.

Employees' contributions paid in respect of the purchase of added years are accounted for on an accruals basis. The associated increase in the scheme liability is recognised as expenditure.

2.3 Early Retirement

Contributions received from the employer in relation to the early retirement of Police Officers on ill health grounds were £4,800k in 2016-17 (2015-16 £4,038k) see note 3. The process for decisions on ill health retirements is managed by the Northern Ireland Policing Board.

Contributions are based on an officer's final salary and are accounted for on an accruals basis.

2.4 Transfers in and out

Transfers in are normally accounted for as income and expenditure (representing the associated increase in the Scheme liability) on a cash basis, although group transfers in may be accounted for on an accruals basis where the scheme has formally accepted or transferred a liability.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

2.5 Other income

Other income, including refunds of gratuities and overpayments recovered other than by deduction from future benefits is accounted for on an accruals basis. To the extent that this income also represents an increase in the scheme liability, it is also reflected in expenditure.

2.6 Current service cost

The current service cost is the increase in the present value of the Scheme liabilities arising from current member's service in the current period and is recognised in the Combined Statement of Comprehensive Net Expenditure. The current service cost is based on a standard contribution rate of 62.9% of pensionable pay in the Police Pension Scheme 1987, 48.1% of the pensionable pay in the New Police Pension Scheme PPS 2015 and 41.7% of the pensionable pay in the CARE Scheme, as determined at the start of 2016-17.

2.7 Past service costs

Past service costs are increases in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Where the improvements to pension benefits result in the backdating of commutation awards these costs are measured and reflected immediately in the Combined Statement of Comprehensive Net Expenditure.

2.8 Enhancements

Any enhancements to pensions, including on departure or retirement, are measured and reflected immediately in the Combined Statement of Comprehensive Net Expenditure. There have been no enhancements to Police Pensions for 2016-17.

2.9 Interest on scheme liabilities

The interest cost is the increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement and is recognised in the Combined Statement of Comprehensive Net Expenditure. The interest cost is based on the discount rate applicable at 1 April 2016 of 1.4% (i.e. 3.6% including CPI inflation)

2.10 Other payments

Other payments are accounted for on an accruals basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

2.11 Scheme liabilities

Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liability is measured on actuarial basis using the projected unit method and is discounted at a rate of 0.25% real (i.e. 2.80% including CPI inflation)

Full actuarial valuations by a professionally qualified actuary are required at intervals not exceeding four years in accordance with the requirements of the Government Financial Reporting Manual (FReM). In the intervening periods the actuary reviews the most recent actuarial valuation at the reporting date and updates it to reflect current conditions.

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. The pension liability recognised in these financial statements has been calculated using full membership data as at 31 March 2017.

The demographic assumptions used to prepare the pension disclosures as at 31 March 2017 have been derived from the specific experience of the scheme membership, and are the same as those adopted for the 2012 funding valuation of the Police Pension Scheme (England).

2.12 Pension benefits payable

Pension benefits payable are accounted for as a decrease in the scheme liability on an accruals basis.

2.13 Pension payments to those retiring at their normal retirement age

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

2.14 Pension payments to and on account of leavers before their normal retirement age (continued)

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

2.15 Injury benefits

Injury benefits are accounted for in the PSNI Main Financial Statements.

2.16 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.

2.17 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 Combined Statement of Financial Position date are recognised in the Combined Statement of Comprehensive Net Expenditure for the year.

2.18 Additional voluntary contributions

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

2.19 Administration Expenses

Administration expenses are borne by the PSNI Main Accounts and are excluded from these statements.

2.20 Receivables and Payables

Total Receivables and Payables have been reanalysed into two additional categories to add clarity. The additional categories are Non-Current Assets and Non-Current Liabilities (Payables after 12 months). Non Current Assets relate to Pension overpayments being recouped over an agreed re-payment plan.

2.21 Accounting standards, interpretations and amendments to published standards adopted during the year ended 31 March 2017

The PSNI has reviewed the accounting standards, interpretations and amendments to published standards that became effective during 2016-17 and which are relevant to

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

2.21 Accounting standards, interpretations and amendments to published standards adopted during the year ended 31 March 2017 (continued)

its operations. The adoption of these standards has not had a significant impact on the financial position or results of the Police Pension Fund.

2.22 Accounting standards, interpretations and amendments to published standards not yet effective

The PSNI has reviewed the additional or revised accounting standards and new (or amendments to) interpretations contained within the Government Financial Reporting Manual (FReM) 2016-17 and concludes that these do not impact the 2016-17 PSNI Pension Accounts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

3. Contributions Receivable

	<u>Note</u>	2016-17 £000	2015-16 £000
Employers' Contributions:			
Closed Scheme		23,704	27,080
New Scheme		940	1,039
CARE Scheme		36,889	33,269
Employees' Contributions:			
Closed Scheme			
Normal		13,500	15,409
Purchase of added years		-	-
New Scheme			
Normal		456	479
Purchase of added years		-	-
CARE Scheme			
Normal		19,616	17,678
Purchase of added years		-	-
Early Retirement		<u>4,800</u>	<u>4,038</u>
		<u>99,905</u>	<u>98,992</u>

4. Transfers in – see note 7

Individual transfers in from other schemes			
Closed Scheme	13.2	160	1,830
New Scheme	13.3	40	1,140
CARE Scheme	13.4	<u>224</u>	<u>10</u>
		<u>424</u>	<u>2,980</u>

POLICE SERVICE OF NORTHERN IRELAND
 POLICE PENSION ACCOUNTS FOR YEAR ENDED 31 MARCH 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

5. Service cost

Current Service Cost		2016-17	2015-16
		£000	£000
Closed Scheme	13.2	(59,370)	(78,740)
New Scheme	13.3	(1,810)	(2,370)
CARE Scheme	13.4	<u>(61,230)</u>	<u>(55,630)</u>
		<u>(122,410)</u>	<u>(136,740)</u>
Past Service Cost			
Closed Scheme	13.2	-	-
New Scheme	13.3	-	-
CARE Scheme	13.4	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

6. Backdated Commutation

A determination by the Pensions Ombudsman was published on 15 May 2015 whereby the commutation factors provided by the Government Actuary for the period 1 December 2001- November 2006 were deemed to be incorrect. As a consequence the PSNI has been provided with revised factors by GAD and have recalculated backdated awards for increased commutations, including interest payable. The total cost of these backdated elements was finalised in 2016-17 as £31,544k, an amount of £988k was written back during the year.

To date £31,395k has been paid out to affected members. The remaining balance of £149k will be paid to affected members during the early part of 2017-18. This is a one off item that should not reoccur in future years.

7. Transfers in – Additional liability (see also Note 4)

		2016-17	2015-16
		£000	£000
Individual transfers in from other schemes			
Closed Scheme	13.2	(160)	(1,830)
New Scheme	13.3	(40)	(1,140)
CARE Scheme	13.4	(224)	(10)
		<u>(424)</u>	<u>(2,980)</u>

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

8. Pension Financing Costs

Interest charge for the year:			
Closed Scheme	13.2	(244,350)	(258,850)
New Scheme	13.3	(8,770)	(9,310)
CARE Scheme	13.4	(3,070)	(980)
		<u>(256,190)</u>	<u>(269,140)</u>

9. Administration fees and expenses

All costs of administering the PSNI Pension Schemes are borne by the PSNI, and included within the PSNI Main Financial Statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

10. Additional Voluntary Contributions

The Closed Police Pension Scheme provides for officers to make additional voluntary contributions (AVC's) to increase their pension entitlements or to increase life assurance cover. Officers may arrange to have agreed sums deducted from their salaries, for onward payment to the approved provider (ie Equitable Life or Standard Life). The Managers of the Police Pension Scheme have responsibility only for onward payment by employers of officer's contributions to the scheme's approved provider. These AVC's are not brought to account in this statement. Officer's participating in this arrangement receive an annual statement from the approved provider as at 31 March confirming the amounts held to their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

	2016-17	2015-16
	£000	£000
Movements in the year:		
Balance at 1 April	983	1,018
New Investments	9	14
Sale of investments to provide pension benefits	(236)	(45)
Changes in market value of investments	<u>117</u>	<u>(4)</u>
Balance at 31 March	<u>873</u>	<u>983</u>
Contributions received to provide life cover	-	-
Benefits paid on death	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

There is no in-house AVC Scheme available to members of the New Police Pension Scheme or the CARE scheme.

POLICE SERVICE OF NORTHERN IRELAND
 POLICE PENSION ACCOUNTS FOR YEAR ENDED 31 MARCH 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

11. Receivables – contributions due in respect of pensions

	2016-17 £000	2015-16 £000
Amounts falling due after 1 year:		
Pension overpayments	100	158
Provision for doubtful debts	<u>(41)</u>	<u>(70)</u>
	<u>59</u>	<u>88</u>
Amounts falling due within 1 year:		
Pension overpayments	43	39
Amounts due from PSNI main accounts	938	1,540
Other receivables	<u>-</u>	<u>7</u>
	<u>981</u>	<u>1,586</u>
At 31 March	<u>1,040</u>	<u>1,674</u>

**POLICE SERVICE OF NORTHERN IRELAND
POLICE PENSION ACCOUNTS FOR YEAR ENDED 31 MARCH 2017**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

12. Payables in respect of pensions

	Note	2016-17 £000	2015-16 £000
Amounts Falling due within 1 year:			
Amount due to PSNI main accounts		11,856	26,977
Backdated Commutation Payments	6	149	6,292
Pensions		43	39
HM Revenue and Customs		<u>896</u>	<u>1,500</u>
		12,944	34,808
Amounts falling due after 1 year:			
Amounts due to PSNI main accounts		<u>59</u>	<u>88</u>
At 31 March		<u>13,003</u>	<u>34,896</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

13. Pension liabilities

Assumptions underpinning the provision for pension liability:

Both the PSNI Police Pension Schemes are unfunded defined benefit Schemes. An actuarial valuation of each Scheme was carried out as at 31 March 2017 by the Government Actuary's Department. The Report of the Actuary on pages 10 to 13 sets out the scope, methodology and results of the work the actuary has carried out.

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

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

The major assumptions used by the Actuary were:

	At 31 March 2017	At 31 March 2016	At 31 March 2015	At 31 March 2014	At 31 March 2013
Rate of increase in salaries	4.55%	4.20%	4.20%	4.50%	3.95%
Long term rate of increase in pensions	2.55%	2.20%	2.20%	2.50%	1.70%
Short term rate of increase in salaries	1.00%	1.00%	N/A	N/A	N/A
Rate of inflation	2.55%	2.20%	2.20%	2.50%	1.70%
Rate for discounting scheme liabilities	2.80%	3.60%	3.55%	4.35%	4.10%
Rate of CARE revaluations	3.8%	3.45%	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Mortality rate

Expectation of life in years of current pensioners

At 31 March	2017	2016	2015	2014	2013
Males (Age 65)	23.2	23.1	23.3	23.4	23.4
Females (Age 65)	25.2	25.1	25.7	25.9	25.8

Expectation of life in years of current active/deferred members on retirement at age stated

At 31 March	2017	2016	2015	2014	2013
Males (45 year old future pensioner at age 65)	25.2	25.1	25.4	25.6	25.7
Females (45 year old future pensioner at age 65)	27.3	27.2	27.9	28	27.9

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. HM Treasury advise the relevant rate each year, based on the advice of the Government Actuary's Department. The inflation assumption reflects long-term assumption for the CPI used in Treasury forecasting. The rates are set out in the above table. Any decrease in the rate leads to a significant increase in the reported liability.

In reality, the complexity and range of assumptions underlying the calculation of the pension liability are such that a change in one financial assumption is likely to have a knock-on effect on other financial assumptions. The Scheme Manager does not consider it useful to attempt to reflect the impact of any changes in the range of assumptions, since this would result in giving a range of inherently uncertain figures.

In the opinion of the Scheme Manager, the Actuary has used key assumptions that are the most appropriate for the Scheme in the light of current knowledge.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Analysis of the provision for pension liability

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 each scheme liability, the Actuary must estimate the impact of several inherently uncertain variables far into the future. These variables include not only the key financial assumptions noted in the table above, but also assumptions about the changes that occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

The value of each scheme liability included on the Combined 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 reduce the assumed rate of inflation, or the assumed rate of increase in salaries, then the value of the pension scheme liability will decrease (other things being equal). Conversely, if the assumed rates are increased, the value of the liability will increase. The 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 this note. 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.

Scheme Membership data for the previous 5 years:

	2016-17	2015-16	2014-15	2013-14	2012-13
Closed Police Pension Scheme:					
Active Members	2,067	2,418	4,503	4,811	5,044
Deferred Members	1,194	1,203	1,241	1,271	1,303
Pensioners in Payment Members	13,003	12,773	12,368	12,157	11,796
Pensioners in Payment Dependents	1,919	1,855	1,817	1,698	1,636
Compensation Payments	1	4	18	31	47
New Police Pension Scheme:					
Active Members	98	120	2,280	1,948	1,830
Deferred Members	146	123	102	82	51
Pensioners in Payment Dependents	3	3	3	3	3

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	2016-17	2015-16	2014-15	2013-14	2012-13
CARE Pension Scheme:					
Active Members	4,450	4,155	N/A	N/A	N/A
Deferred Members	46	22	N/A	N/A	N/A
Pensioners in Payment					
Dependents	3	1	N/A	N/A	N/A

13.1 Sensitivity Analysis

Sensitivity of the defined benefit obligation to changes in the significant actuarial assumptions:

Closed Scheme

Change in Assumption*		Impact on DBO	
		%	£Million
Rate of discounting scheme liabilities	+1/2% a year	(9.0)%	(758.6)
Rate of increase in salaries	+1/2% a year	0.7%	56.8
Rate of increase in pensions/deferred revaluation	+1/2% a year	9.0%	756.5
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.6%	218.7
Early Retirement: each member assumed to retire 1 year earlier than expected		(0.1)%	(11.3)

New Scheme

Change in Assumption*		Impact on DBO	
		%	£Million
Rate of discounting scheme liabilities	+1/2% a year	(16.7)%	(62.9)
Rate of increase in salaries	+1/2% a year	7.6%	28.6
Rate of increase in pensions/deferred revaluation	+1/2% a year	10.2%	38.4
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.1%	7.9
Early Retirement: each member assumed to retire 1 year earlier than expected		(0.3)%	(1.1)

CARE Scheme

Change in Assumption*		Impact on DBO	
		%	£Million
Rate of discounting scheme liabilities	+1/2% a year	(16.9)%	(29.8)
Rate of increase in salaries	+1/2% a year	0.0%	0
Rate of increase in pensions/deferred revaluation	+1/2% a year	20.3%	35.9
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.2%	3.9
Early Retirement: each member assumed to retire 1 year earlier than expected		1.2%	2.2

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO. Doubling the changes in assumptions will produce approximately double the change in the DBO. The sensitivities show the change in assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent.

13.2 Analysis of movement in the Closed Pension Scheme liability

	2016-17	2015-16
	£000	£000
Scheme Liability at 1 April	(6,874,970)	(7,365,210)
Current Service Cost	(59,370)	(78,740)
Past Service Cost	-	-
Pension Financing cost	<u>(244,350)</u>	<u>(258,850)</u>
	(303,720)	<u>(337,590)</u>
Pension Transfers In	(160)	(1,830)
Pension payments (see note 13.5)	236,150	227,910
Pension to and on account of leavers	60	1,330
Actuarial (loss)/gain (see note 13.7)	<u>(1,453,900)</u>	<u>600,420</u>
Scheme Liability at 31 March	<u>(8,396,540)</u>	<u>(6,874,970)</u>

During the year ended 31 March 2017 employee contributions represented an average of 14.3% (14.3% 2015-16) of pensionable pay. Employer contributions represented an average of 25.1% (25.1% 2015-16) for 2016-17 to standardise with other UK Police Services as directed by Government and DoF through DOJ.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

13.3 Analysis of movement in the New Pension Scheme liability

	2016-17	2015-16
	£000	£000
Scheme Liability at 1 April	(242,599)	(260,649)
Current Service Cost	(1,810)	(2,370)
Past Service Cost	-	-
Pension Financing Cost	<u>(8,770)</u>	<u>(9,310)</u>
	(10,580)	(11,680)
Pension Transfers In	(40)	(1,140)
Benefits Payments (see note 13.5)	20	20
Pension Payments to and on account of leavers (13.6)	29	130
Actuarial (loss)/gain (see note 13.7)	<u>(124,510)</u>	<u>30,720</u>
Scheme Liability at 31 March	<u>(377,680)</u>	<u>(242,599)</u>

During the year ended 31 March 2017, employee contributions represented an average of 12.18% (11.6% 2015-16) of pensionable pay. Employer contributions represented an average of 25.1% (25.1% 2015-16) of pensionable pay and are proposed to be maintained at this level for 2016-17 to standardise with other UK Police Services as directed by Government and DoF through DOJ.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

13.4 Analysis of movement in the CARE Pension Scheme liability

	2016-17	2015-16
	£000	£000
Scheme Liability at 1 April	(54,960)	-
Current Service Cost	(61,230)	(55,630)
Past Service Cost	-	-
Pension Financing Cost	<u>(3,070)</u>	<u>(980)</u>
	(64,300)	(56,610)
Transfers In	(224)	(10)
Benefits Payments (see note 13.5)	290	-
Pension Payments to and on account of leavers (13.6)	3	-
Actuarial (loss)/ gain (see note 13.7)	<u>(57,390)</u>	<u>1,660</u>
Scheme Liability at 31 March	<u>(176,581)</u>	<u>(54,960)</u>

During the year ended 31 March 2017, employee contributions represented an average of 13.35% (13.3% 2015-16) of pensionable pay. Employer contributions represented an average of 25.1% (25.1% 2015-16) of pensionable pay and are proposed to be maintained at this level for 2016-17 to standardise with other UK Police Services as directed by Government and DoF through DOJ.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

13.5 Analysis of benefits paid

	2016-17	2015-16
	£000	£000
Closed Scheme:		
Pension Payments	195,070	188,860
Gratuities/Commutations	41,080	39,050
Payments to and on account of leavers (see note 13.6)	<u>60</u>	<u>1,330</u>
Per Statement of Cash Flows	<u>236,210</u>	<u>229,240</u>
New Scheme:		
Pension Payments	20	20
Payments to and on account of leavers (see note 13.6)	<u>29</u>	<u>130</u>
Per Statement of Cash Flows	<u>49</u>	<u>150</u>
CARE Scheme:		
Pension Payments	10	-
Gratuities/Commutations	280	-
Payments to and on account of leavers (see note 13.6)	<u>3</u>	<u>-</u>
Per Statement of Cash Flows	<u>293</u>	<u>-</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

13.6 Analysis of payments to and on account of leavers

	2016-17	2015-16
	£000	£000
Closed Scheme:		
Refunds to members leaving service	-	-
Individual transfers to other schemes	<u>60</u>	<u>1,329</u>
Per Statement of Cash Flows	<u>60</u>	<u>1,329</u>
New Scheme:		
Refunds to members leaving service	-	4
Individual transfers to other schemes	<u>29</u>	<u>128</u>
Per Statement of Cash Flows	<u>29</u>	<u>132</u>
CARE Scheme:		
Refunds to members leaving service	<u>3</u>	-
Individual transfers to other schemes	<u>-</u>	<u>-</u>
Per Statement of Cash Flows	<u>3</u>	<u>-</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

13.7 Analysis of actuarial (loss) / gain

	2016-17 £000	2015-16 £000
Closed Scheme:		
Experience gains arising on the Scheme liabilities	27,390	215,680
Changes in demographic assumptions underlying the present value of the scheme liabilities	92,120	102,710
Changes in financial assumptions underlying the present value of the scheme liabilities ¹	<u>(1,573,410)</u>	<u>282,030</u>
	<u>(1,453,900)</u>	<u>600,420</u>
New Scheme:		
Experience (losses) arising on the Scheme liabilities	(390)	(8,100)
Changes in demographic assumptions underlying the present value of the scheme liabilities	(10)	3,450
Changes in financial assumptions underlying the present value of the scheme liabilities ¹	<u>(124,110)</u>	<u>35,370</u>
	<u>(124,510)</u>	<u>30,720</u>
CARE Scheme:		
Experience gains/ (losses) arising on the Scheme liabilities	2,460	(80)
Changes in demographic assumptions underlying the present value of the scheme liabilities	-	760
Changes in financial assumptions underlying the present value of the scheme liabilities ¹	<u>(59,850)</u>	<u>980</u>
	<u>(57,390)</u>	<u>1,660</u>
Per Statement of Changes in Taxpayers Equity	<u>(1,635,800)</u>	<u>632,800</u>

1. The large movement due to the change in financial assumptions relates mainly to the decrease of the discount rate used from 3.6% to 2.8%. Details of the changes to all financial assumptions are set out in note 13 on page 42.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

13.8 History of experience gain/(loss)

	2017	2016	2015	2014	2013
Closed Scheme					
Experience gain on the scheme liabilities:					
Amount (£m)	27.39	215.68	124.7	26.63	92.31
Percentage of the present value of the scheme liabilities	0.3%	3.1%	1.7%	0.4%	1.5%
Total amount recognised in statement of changes in Taxpayers Equity					
Amount (£m)	-1,453.9	600.42	-382.34	-604.9	-526.16
Percentage of the present value of the scheme liabilities	-17.3%	8.7%	-5.2%	-8.9%	-8.8%
New Scheme					
Experience loss/gain on the scheme liabilities:					
Amount (£m)	-0.39	-8.1	5.37	4.13	-4.63
Percentage of the present value of the scheme liabilities	-0.11%	-3.3%	2.1%	2.00%	-3.1%
Total amount recognised in statement of changes in Taxpayers Equity					
Amount (£m)	-124.51	30.72	-5.19	-24.64	-23.96
Percentage of the present value of the scheme liabilities	32.97%	12.7%	-2.0%	11.80%	-16.0%
CARE Scheme					
Experience loss/gain on the scheme liabilities:					
Amount (£m)	2.46	-0.08	-	-	-
Percentage of the present value of the scheme liabilities	1.4%	-0.1%	0.0%	0.0%	0.0%
Total amount recognised in statement of changes in Taxpayers Equity					
Amount (£m)	-57.39	1.66	-	-	-
Percentage of the present value of the scheme liabilities	-32.5%	3.0%	0.0%	0.0%	0.0%

14. Financial instruments

Accounting standards require disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which PSNI is funded from the Department of Justice, the PSNI Police Pension Accounts are not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies.

The PSNI Pension Accounts rely primarily on departmental funding for its revenue resource requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all assets and liabilities are determined in sterling, so it is not exposed to interest rate or currency risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. Losses and special payments

During the year there were £3,998 (4 cases of overpayments) of Losses or Special Payments recorded (2015-16: 2 cases at £1,741).

16. Contingent Liabilities disclosed under IAS 37

There were no Contingent Liabilities at 31 March 2017.

17. Related party transactions

PSNI is a body of constables (as set out in the Police Act 2000), funded through the Northern Ireland Policing Board which is a Non-Departmental Public Body of the Department of Justice.

The Department of Justice is regarded as a related party. During the year the PSNI Pension Account has had a number of material transactions with the Department of Justice and other government Departments, namely the Department of Finance. These transactions relate to the funding provided to cover the shortfall of scheme payments over contributions.

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

18. Events occurring after the reporting period

There were no events after reporting period.

The Annual Report and accounts were authorised by the Chief Constable to be issued on the 28 June 2017.



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