Department of Education – Teachers' Pension

Annual Scheme Statements

For the year ended 31 March 2021

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Abbreviations and terms used

ARAC	Audit and Risk Assurance Committee
AVCs	Additional Voluntary Contributions
CARE	Career Average Revalued Earnings
CFERs	Consolidated Fund Extra Receipts
CPI	Consumer Prices Index
DE	Department of Education
DENI	Department of Education Northern Ireland
DfE	Department for the Economy
DoF	Department of Finance
EA	Education Authority
EEA	European Economic Area
ETI	Education and Training Inspectorate
EU	European Union
FReM	Financial Reporting Manual
FRT	Financial Reporting Team
FSAVCs	Free-Standing Additional Voluntary Contributions
GAD	Government Actuary’s Department
GMP	Guaranteed Minimum Pensions
HMRC	HM Revenue and Customs
IA	Internal Audit
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
MPMNI	Managing Public Money Northern Ireland
NDPB	Non-Departmental Public Body
NFI	National Fraud Initiative
NI	Northern Ireland
NIAO	Northern Ireland Audit Office
NICS	Northern Ireland Civil Service
NITPS	Northern Ireland Teachers' Pension Scheme
ONS	Office of National Statistics
PES	Public Expenditure System
PSPS	Public Service Pension Scheme
PUCM	Projected Unit Credit Method
RMF	Risk Management Framework
SOAS	Statement of Outturn against Assembly Supply
SOCNE	Statement of Comprehensive Net Expenditure
TEO	The Executive Office
TPPT	Teachers' Pay and Pensions Team
	Terms
The Department	The Department of Education

ACCOUNTABILITY REPORT

REPORT OF THE MANAGERS
For the year ended 31 March 2021

Statutory basis for the Scheme

The Northern Ireland Teachers' Pension Scheme (NITPS) ("the Scheme") operates under the Teachers' Superannuation Regulations (Northern Ireland) 1998 (as amended) and the Teachers' Pension Scheme Regulations (Northern Ireland) 2014 (as amended).

Eligibility to join the Scheme

Persons in the employments specified in Schedule 1 of the Teachers' Pension Scheme Regulations (Northern Ireland) 2014 are eligible to join the Scheme.

Further information about the Scheme is available on the internet at www.education-ni.gov.uk.

Main features of the Scheme

The NITPS is an unfunded, defined benefit scheme to which teachers and their employers contribute. Benefits are index-linked and there is provision for payments to dependants.

Corporate Governance and Management of the Scheme

The NITPS is managed by the Department of Education ("the Department"). The Department also manages the Teachers' Premature Retirement Compensation Scheme which operates under the Teachers' (Compensation for Redundancy and Premature Retirement) Regulations (Northern Ireland) 2010.

The Scheme Manager is responsible for policy in respect of the Scheme, legislative changes, and managing the relationship with the Government Actuary's Department (GAD).

The Scheme Administrator is responsible for the implementation of the Scheme regulations including day to day management of receipts and payments, and correspondence with Scheme members.

To manage the annual requirements for actuarial valuations and information for the preparation of the Annual Scheme Statements, the NITPS Steering Group meets during the year and attends monthly GAD meetings.

The Steering Group consists of staff from across the Department, including the Financial Reporting Team (FRT), and the Teachers' Pay and Pensions Team (TPPT). To enable the Accounting Officer to maintain a sound system of internal control, the Accounting Officer is informed by the work of the internal auditors and reports from senior managers on the effectiveness of internal controls; and by comments made by the external auditors in their management letter and other reports. More detail is provided in the Governance Statement.

The Public Service Pensions Act (NI) 2014 ("the 2014 Act") requires each public service pension scheme (including the NITPS) to have a Pension Board to assist the Scheme Manager in securing the effective and efficient administration of the pension scheme and a Scheme Advisory Board for considering major changes to scheme rules.

Pension Board

Primary and secondary legislation does not prescribe the constitution of the Pension Board beyond the requirement that employer representatives and member representatives are equal in number. The Pension Board is comprised of 12 members and includes:

- An independent chairperson (recruited following the principles of the Public Appointments Process);
- A pensions official from the public sector pensions arena;
- Four pension scheme member representatives;
- Four employer representatives; and
- Two Departmental officials at Directorate level drawn from the pension's policy area of business and from the finance area of business.

Scheme Advisory Board

The Scheme Advisory Board is chaired by a Departmental official and the other members are nominated by a defined list of organisations representing members and employers. Attendance at meetings is limited to two attendees per organisation.

The NITPS Advisory Board is the established forum for consultation on matters relating to the Scheme. The Board comprises representatives of the recognised teacher unions, the University and College Union and employers from both the school and further education sectors.

Employers

The NITPS is for persons in the employments specified in Schedule 2 of the Teachers' Superannuation Regulations (Northern Ireland) 1998 and Schedule 1 of the Teachers' Pension Scheme Regulations (Northern Ireland) 2014. A full list of employers currently within the Scheme can be obtained from the Scheme Administrator.

Arrangements governing determination of contribution rates and benefits

The Department in exercise of powers conferred upon it by the Superannuation (Northern Ireland) Order 1972 and after consultation with relevant interested parties makes regulations which determine the contributions and benefits of the Scheme.

Key developments in year

Changes in Contributions

Salary bandings for contribution rates for employees were increased by 1.7% from 1 April 2020. Contribution rates for employees were in accordance with the table below. Employers' contributions were 25.1% of pensionable pay.

Lower Salary*	Higher Salary*	Contribution Rate in 2020-21
-	£28,168.99	7.4%
£28,169	£37,918.99	8.6%
£37,919	£44,960.99	9.6%
£44,961	£59,587.99	10.2%
£59,588	£81,254.99	11.3%
£81,255	>£81,255	11.7%

* contributions are based on a member's annual salary rate (actual earnings)

Changes in benefits

Pensions increased by 1.7% with effect from 6 April 2020 (8 April 2019: 2.4%).

Note

Public service pensions, which began before 8 April 2019, will be increased by 1.70% with effect from 6 April 2020. Pensions, which began on or after 8 April 2019, will be increased on a reduced pro rata basis.

Membership statistics

Details of changes in membership of the NITPS are as follows:

A. Active members[1]	
Active members at 1 April 2020	**25,177**
Opening adjustment[2]	625
Actual Number at 1 April 2020	25,802
Add:	
New entrants in the year	1,474
Further employment	162
Transfer in	26
Total Joiners	**1,662**
Less:	
Age, infirmity and premature retirements	(441)
Early retirements (actuarially reduced)	-
Phased retirements	(42)
Death in service	(10)
Refunds/opt out	(29)
Transfers out	(9)
Net withdrawals from active to deferred status	(50)
Leavers with Benefits Pending	(53)
Others	(44)
Total Leavers	**(678)**
Active members at 31 March 2021	**26,786**

Notes

1. An active member is defined as an individual who is in pensionable service and where the employer has not provided a withdrawal indicator.

2. An opening balance adjustment is required in respect of active and deferred members due to the late receipt of service history information from employers which changes the classification of the member. This occurs where information is received between the date the previous Statements were prepared and the date that the current Statements have been prepared. A new pension system and data cleansing exercise was also implemented over this period. The data cleansing exercise was necessary in order to reconcile the information per the previous pension system to the information transferred to the new pension system as the two systems have different validation checks.

B. Deferred members[1]	
Deferred members at 1 April 2020	**16,345**
Opening adjustment[2]	124
Actual Number at 1 April 2020	**16,469**
Add:	
Net withdrawals from active to deferred status	50
Opted out from active service	-
Other entrants to deferred service status	-
Total Joiners	**50**
Less:	
Awards out of service	(51)
Transfers out	(5)
Ill Health	(1)
Others	(12)
Opt Outs	-
Total Leavers	**(69)**
Deferred members at 31 March 2021	**16,450**

Notes

1. A deferred member is defined as a member who has previously been in pensionable service, or who was in pensionable service but their employer has provided a withdrawal indicator.
2. An opening balance adjustment is required in respect of active and deferred members due to the late receipt of service history information from employers which changes the classification of the member. This occurs where information is received between the date the previous Statements were prepared and the date that the current Statements have been prepared. A new pension system and cleansing exercise was implemented over this period. The data cleansing exercise was necessary in order to reconcile the information per the previous pension system to the information transferred to the new pension system as the two systems have different validation checks.

C. Pensions in payment	Members	Dependants	Total
Pensions in payment at 1 April 2020	**22,200**	**2,323**	**24,523**
Opening adjustment	-	(99)	(99)
Actual Number at 1 April 2020	**22,200**	**2,224**	**24,424**
Add:			
Members retiring in the year			
Age/ Premature pensions[1]			535
Ill health pensions[1]			-
Pension credit member retirement			-
Dependant pensions			247
Phased retirement			-
Total members retiring in the year and dependants			**782**
Less:			
Deaths in period			(469)
Dependant deaths			(121)
Other [2]			(1)
			(591)
Pensions in payment at 31 March 2021	**22,197**	**2,418**	**24,615**

Notes
1. These members have corresponding retirements in the active and deferred member reconciliations.
2. Other cessations include cases where we have suspended payment of pension as a result of uncertainty around continued entitlement to the pension.

D. Compensation payments	
Members in receipt of compensation at 1 April 2020	**7,803**
Add: New members in receipt of compensation	50
Less: Deaths/other leavers	(282)
Members in receipt of compensation at 31 March 2021	**7,571**

Transfers

In this reporting period the Scheme has accounted for £710k relating to the group transfer in of 13 members from the NI Civil Service Pension Scheme (8 May 2017). The payment has yet to be effected.

Financial position at 31 March 2021

The Scheme liability at 31 March 2021 was £20.0bn compared to £17.8bn at the end of the previous year. The change of £2.2bn is primarily due to the change in the financial assumptions. An analysis of movements in the Scheme liability is shown at note 14.4 to the Scheme

Statements. The current service cost charge of £691m, is an increase of £256m compared to the charge of £435m in 2019-20. This is due to the decrease in the pension rate net CPI inflation between 31 March 2019 and 31 March 2020. The interest rate cost charge of £324m, is a decrease of £103m compared to the charge of £427m in 2019-20. This is due to the reduction in the nominal discount rate. The Actuarial loss of £1.52bn is driven by a fall in the nominal discount rate which increases the present value of the Scheme liabilities. Further details are provided in the Report of the Actuary.

In 2020-21, the NITPS expended more resources (£11.4m) than was authorised by the Assembly (£660m). The excess is primarily attributable to the increase in the Current Service Charge compared to the estimate. The Scheme will seek Assembly approval by way of an Excess Vote in a future Budget Bill. There was also an Accruing Resource (income) excess of £4.2m which will be surrendered to the Consolidated Fund.

The COVID-19 pandemic has been deemed to have had no material impact on the Scheme Liability. The assumptions for the discount rate and pension increases are specified by HM Treasury and remain unchanged for these Pension Scheme Statements. It is also too early to speculate on the potential impacts for the long-term salary growth. The salary assumptions have not changed. It is also too early to determine whether COVID-19 changes the long –term view of life expectancy in the UK and mortality assumptions. However, assumptions may change for future Statements *(see also Report of the Actuary – COVID-19 Implications).*

<u>Events after the reporting period</u>

The Government laid primary legislation (the Public Service Pensions and Judicial Offices Bill) before parliament in December 2021 to implement changes in public service pension schemes to remedy the discrimination identified by McCloud, which received Royal Assent on 10 March 2022. Under the legislation all members under each of the main public sector pension schemes will be moved into the 2015 schemes on 1 April 2022 irrespective of age.

To remove the discriminatory effect of transitional protection eligible members will be offered a choice over the set of benefits (legacy scheme or 2015 scheme) they wish to receive for any pensionable service during the period 1 April 2015 to 31 March 2022. The treatment of the deferred choice underpin is currently being challenged in a judicial review. A ruling against this remedy could potentially result in higher costs of accrual from 1 April 2019 onwards. As the judicial review is on -going no allowance has been made for this at 31 March 2021.

There were no events that require amendment to these financial statements after the reporting period.

<u>Issues for 2020-21</u>

<u>McCloud</u>

In December 2018, the Court of Appeal ruled that transitional protection provisions contained in reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, amounted to direct age discrimination and were therefore unlawful. In June

2019, the Supreme Court refused permission for any further appeal of that ruling and the judicial and firefighter cases in question were remitted to the Employment Tribunal to determine a remedy to members who suffered discrimination. In July 2019, the Westminster Government confirmed that, as transitional protection was offered to members of all the main public service pension schemes, the government intends to address the difference in treatment across all schemes. The reformed public service schemes in Northern Ireland, including the NITPS, incorporate similar age-based transitional protections.

The Department of Finance (DoF) ran a consultation from 19 August 2020 to 18 November 2020 consulting on proposals to I) remove discrimination in unfunded public service schemes made under the Public Service Pensions Act (Northern Ireland) 2014 for the future; and, II) remedy the effect of any discrimination scheme members may have incurred since April 2015. The DoF issued its consultation response on 25 February 2021. It proposes to proceed with the deferred choice underpin. This approach means that all eligible members will receive a choice at the point of retirement as to whether or not to take legacy or reformed scheme benefits for the period between 1 April 2015 and 31 March 2022, known as the remedy period.

All public servants, including members of the NITPS, who continue in service from 1 April 2022 onwards will do so as members of their respective reformed scheme. These proposals have been developed at the Collective Consultation Working Group, which is the recognised forum for consultation on pension policy for devolved schemes and where both public service employers and employees are represented. Any subsequent changes to the NITPS will be subject to further scheme level consultation.

The current service cost for 2020-21 includes allowance for McCloud.

2016 Cost Cap valuations

Scheme regulations incorporate provision for a cost control mechanism. In January 2019, the government announced a pause to the cost control mechanism in public service pension schemes, due to uncertainty about benefit entitlements arising from the 'McCloud' judgement on age discrimination in public service pension schemes.

In March 2019, the DoF made the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions (NI) 2019 which gave effect to this pause for devolved NI schemes by removing the requirement for scheme actuaries to report on issues connected with the cost cap cost of the schemes.

This enabled work to be completed on the 2016 valuation, based on the position as at 31 March 2016. The 2016 Scheme Valuation report has been finalised without reference to the cost cap mechanism and the Scheme has been able to proceed with necessary action to implement employer contribution rates from 1 April 2019.

Following consultation with member representatives, the DoF will publish revised valuation directions which will enable the 2016 valuation to be completed and the final cost cap results to be determined. These results will take into account the increased value of public service pensions, attributable to the 'McCloud remedy'.

Exit from the European Union

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. The future relationship between the EU and the UK has been determined by negotiations taking place. The Trade and Co-operation Agreement between the EU and UK (at the end of 2020), together with the NI Protocol and the operation of the agreed Common Travel Area (CTA) rights and privileges, mean that day-to-day education services are largely unaffected by the UK's decision to leave the EU. There remain a small number of areas where funding programmes (including replacement funds) are still under development, however other NICS Departments are in the lead in considering the NI impacts, together with our Whitehall and Irish/EU counterparts, feeding into the overall UK/EU negotiations. These are expected to have little direct effect on the Scheme.

COVID-19 Pandemic

As outlined in the Report of the Actuary, it is too early to speculate on any potential long-term effects of the pandemic on future economic/salary growth, mortality rates, or financial assumptions underpinning the pension liability as at 31 March 2021. Details of significant actuarial assumptions adopted in calculating the pension liability for inclusion in the financial statements as at 31 March 2021 are included in note 14, together with sensitivity of the pension liability to changes in the significant actuarial assumptions in note 14.3.

Information for members

Additional Voluntary Contributions

The Department's NITPS has no arrangements to offer Free-Standing Additional Voluntary Contributions (FSAVCs) or stakeholder pensions. However, the Scheme provides for employees to make Additional Voluntary Contributions (AVCs) to increase their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment to the approved provider, namely Prudential plc. No contributions to these AVCs are made by the Scheme or teachers' employers. Members participating in this arrangement receive an annual statement from the approved provider as at 31 March confirming the amounts held on their account and any movements in the year. All transactions and related assets and liabilities connected with the AVC scheme are private arrangements between Prudential and the employees, therefore they do not form part of the NITPS Statements.

Final AVC figures supplied by Prudential for 2020-21 were as follows:

Prudential Teachers' AVC Facility (Northern Ireland)	**2020-21 £000**	**2019-20 £000**
Movements in the year		
Balance at 1 April	41,822	43,140
New investments	2,980	3,876
Sales of investments to provide pension benefits	(2,605)	(5,087)
Change in market value of investments	16	(107)
Balance at 31 March	**42,213**	**41,822**
Contributions received to provide life cover	30	14
Benefits paid on death	88	59

Scheme Managers, Advisers and Employers are listed below:

Accounting Officer
Dr Mark Browne
Permanent Secretary
Department of Education
Rathgael House
43 Balloo Road
Rathgill
BANGOR
BT19 7PR

Scheme Manager and Premature Retirement Compensation Scheme Manager
Mark Bailey
Department of Education
Rathgael House
43 Balloo Road
Rathgill
BANGOR
BT19 7PR

Scheme Administrator and Premature Retirement Compensation Scheme Administrator
Brian Quinn
Department of Education
Teachers' Pay & Pensions Team
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Gobnascale
LONDONDERRY
BT47 6FP

Pension Scheme Actuary
Government Actuary's Department
Finlaison House
15-17 Furnival Street
LONDON
EC4A 1AB

Bankers
Danske Bank
Donegall Square West
BELFAST
BT1 6JS

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

Auditor
Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU

Disclosure of information to Auditor
The Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Scheme's auditor is aware of such information. So far as he is aware there is no relevant audit information of which the Scheme's auditor is unaware.

Contact for enquiries
Any enquiries about the NITPS or the Teachers' Premature Retirement Compensation Scheme Should be sent to the Scheme Administrator at the address above.

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 Education Northern Ireland (DENI). It provides a summary of GAD's assessment of the Scheme liability in respect of the Northern Ireland Teachers' Pension Scheme (NITPS) as at 31 March 2021, and the movement in the Scheme liability over the year 2020-21, prepared in accordance with the requirements of Chapter 9 of the 2020-21 version of the Financial Reporting Manual.

2. The NITPS is a defined benefit 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 2019 based on the data provided as at 31 March 2019 and rolling forward that liability to 31 March 2021.

Membership data

4. Tables A to C summarise the principal membership data as at 31 March 2019 used to prepare this statement.

Table A – Active Members

	31 March 2019 Membership data	
	Number	**Total pensionable pay* (£ million pa)**
Males	5,902	211.9
Females	19,124	654.9
Total	25,026	866.8

** Pensionable Pay is the Actual Figure.*

Table B – Deferred members

	Number	**Total deferred pension* (£ million pa)**
Males	4,375	6.4
Females	9,867	16.2
Total	14,242	22.6

** Pension amounts include the pension increase granted in April 2019.*

Table C – Pensions in Payment

	Number	Total annual pension* (£ million pa)
Males	7,412	146.2
Females	14,419	222.5
Spouses & dependants	2,283	14.5
Total	24,114	383.2

** Pension amounts include the pension increase granted in April 2019.*

Methodology

5. The present value of the liabilities as at 31 March 2021 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2021. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2021 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 2020 in the 2019-20 Accounting Statements.

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, although the assessment of liabilities includes pensions already in payment in respect of such cases.

Principal financial assumptions

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

Table D – Principal financial assumptions

Assumption	31 March 2021	31 March 2020
Rate of return (discount rate)	1.25%	1.80%
Rate of pension increases in payment and deferred pensions (assuming CPI inflation)	2.22%	2.35%
Rate of General Pay Increases	3.72%	4.10%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
Pension increases (CPI)	(0.95)%	(0.50)%
Long Term Pay Increases	(2.38)%	(2.20)%
Expected return on assets:	n/a	n/a

8. The assessment of the liabilities allows for the known pension increases up to and including April 2021.

Demographic assumptions

9. Table E summarises the mortality assumptions adopted to prepare this statement which were derived from the specific experience of the Scheme membership, and other relevant sources. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the S2 tables, with the percentage adjustments to those tables derived from scheme experience.

Table E – Post Retirement Mortality Assumptions

	Standard Table and Adjustments
Males	
Retirements in Normal Health	106% of S2NMA_L
Current Ill – Health Pensioners	77% of S2IMA
Future Ill – Health Pensioners	100% of S2IMA
Dependants	120% of S2NMA
Females	
Retirements in Normal Health	Age –dependent adjustments to S1NFA_L:* ≤79:75% 80-84:86% 85-89:100% ≥90:108%
Current Ill – Health Pensioners	89% of S2IFA
Future Ill- Health Pensioners	100% of S2IFA
Dependants	95% of S2DFA

* *Age at time assumption is applied*

10. These assumptions in Table E above are the same as those adopted for the 31 March 2016 funding valuation of the Scheme and in the Accounting Statements as at 31 March 2020.

11. Mortality improvements are assumed to be in line with the 2018-based projections for the United Kingdom published by the ONS in October 2019. This is the same assumption as used in the 2019-20 Accounts.

12. The other demographic assumptions, such as for commutation and family statistics, are unchanged from the 2019-20 Accounts.

Liabilities

13. Table F summarises the assessed value as at 31 March 2021 of benefits accrued under the Scheme prior to this date based on the data, methodology and assumptions described in paragraphs 4 to 12. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2020 and 2021 both include an allowance for the higher cost of benefits accruing under McCloud.

Table F – Statement of Financial Position

£ million

	31 March 2021	31 March 2020
Total market value of assets	nil	nil
Value of liabilities	19,951	17,843
Surplus/(Deficit)	(19,951)	(17,843)
of which recoverable by employers	n/a	n/a

Accruing costs

14. The cost of benefits accrued in the year ended 31 March 2021 (the Current Service Cost) is assessed as 68.9% of pensionable pay.

15. 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 Accounting Statements. Members contributed between 7.4% and 11.7% 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 G shows the employer and employee contributions during the year 2020-21 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2020-21 Accounts.

Table G – Contribution rate

	Percentage of pensionable pay	
	1 April 2020 to 31 March 2021	**1 April 2019 to 31 March 2020**
Employer Contributions (excluding expenses)	25.1%	25.1%
Employee Contributions (average)	9.4%*	9.3%
Total Contributions	34.5%	34.4%
Current Service Cost (expressed as a % of pay)	68.9%	49.5%

**Employee contributions are payable at rates between 7.4% and 11.7% of pensionable pay, depending upon members' salaries. The contribution rate tier structure is updated annually to reflect changes in the Consumer Price Index and reviewed more generally as part of the quadrennial actuarial valuation. The target yield is 9.6% of actual pensionable pay. The figures above show actual contribution yields, based on the amounts received during each period.*

16. The key difference between the assumptions used for funding valuations and the Accounting Statements is the discount rate, although price inflation and salary increases are also determined differently and the assumption for future improvements in life expectancy has been updated. The discount rate for the Accounting Statements is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.

17. The pensionable payroll for the financial year 2020-21 was £1,004m (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2020-21 (at 68.9% of pay) is assessed to be £691m. This includes an allowance for the higher cost of benefits accruing over the year under McCloud.

18. Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any events that have led to a material past service cost over 2020-21.

19. I am not aware of any events that have led to a material settlement of curtailment gain or loss over 2020-21.

Sensitivity analysis

20. 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 2021 of changes to the significant actuarial assumptions.

21. The most significant financial assumptions are the discount rate, general earnings increases and pension increases (currently based on the Consumer Prices Index [CPI]). A key demographic assumption is pensioner mortality.

22. Table H shows the indicative effects on the total liability as at 31 March 2021 of changes to these assumptions (rounded to the nearest 0.5%).

Table H: Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions			
(i) discount rate*	+0.5% a year	- 10.5%	- £2,100 m
(ii) (long –term) earnings increases*	+0.5% a year	+ 2.0%	+ £400 m
(iii) pension increases*	+0.5% a year	+ 8.5%	+ £1,700 m
Demographic assumptions			
(iv) additional one year increase to life expectancy at retirement*		+ 4.0%	+ £800 m

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

COVID-19 implications

23. As with the 2019-20 Accounts, the 2020-21 Accounts are being produced when the UK continues to deal with the impact of the COVID-19 pandemic. I have considered the potential implications of how the pandemic could impact on the actuarial calculations required for the Scheme Statements.

24. The assumptions for the discount rate and pension increases are specified by HM Treasury in the Public Expenditure System (PES) (2020) 12 Revised, dated 18 December 2020, and remain unchanged for these statements. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

25. The long-term salary assumption is set by the Department, having taken actuarial advice, and is intended to be an average over the future careers of scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The assumption allows for a reduction in our view of the long-term salary increases as well as lower short-term forecasts from the Office for Budget Responsibility.

26. The current population mortality projections make no specific allowance for the impact of COVID-19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. My view is that there remains significant uncertainty about how COVID-19 may affect long-term life expectancies in the UK. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from COVID-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future years.

Greg Donaldson FIA
Actuary
Government Actuary's Department
18 November 2022

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, the DoF has directed the NITPS to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The Combined Financial Statements must give a true and fair view of the state of affairs of the Combined 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 (FReM) and in particular to:

- observe the Accounts Direction issued by the DoF 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 FReM have been followed, and disclose and explain any material departures in the Scheme Statements;
- prepare the Scheme Statements on a going concern basis

The DoF has appointed the Permanent Secretary of the Department as Accounting Officer for the NITPS. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme, are set out in Managing Public Money Northern Ireland (MPMNI) which is published by the DoF.

GOVERNANCE STATEMENT

1. Introduction

1.1 This Governance Statement is a key feature of the Teachers' Pension Scheme Annual Statements. It provides details of how I, as Accounting Officer, have ensured effective management and control of resources during the 2020-21 year and of the action taken to ensure effective risk management and a high standard of corporate governance.

1.2 The Head of Internal Audit has provided me with a report on internal audit activity within the Department during the year, which includes the Teachers' Pension Scheme and an opinion on the Department's governance, risk management and internal control system. There were no limited opinions awarded during 2020-21; however two limited opinions remain for the reviews of Additional Educational Needs and School Governance.

1.3 In addition two NICS wide thematic reviews are currently ongoing in relation to Whistleblowing and Risk Management.

2. Governance Framework

2.1 The Department operates under the direction and control of the Minister of Education who is Head of the Department. A Minister leads the Department and is responsible and accountable to the Assembly for the policies, programmes and actions of the Department.

2.2 As Permanent Secretary, I am the Minister's principal adviser, the administrative Head of the Department and the Accounting Officer. As Accounting Officer, I am personally responsible and accountable to a Minister and to the Assembly for the effective management and organisation of the Department and for the Teachers' Pension Scheme, including the use of public money and the stewardship of its assets.

2.3 I have delegated the role of Scheme Manager to the Director of Education Workforce Development, while the day to day administration of the Scheme is carried out by Teacher's Pay and Pension's Team.

The Departmental Board

2.4 The Department is managed by a Departmental Board which, within the strategic framework set by the Minister, supports me in the discharge of my role.

2.5 The Departmental Board is chaired by me and comprises three Deputy Secretaries; the Chief Inspector of the Education and Training Inspectorate (ETI); the Director of Finance; the Departmental Strategic Human Resources Business Partner; and two independent non-executive Directors (there was one independent board member since January 2020; a recruitment competition taken forward by the Department has now concluded with the appointment of a second non-executive Director in May 2022).

2.6 The role of the independent Board members is to provide an independent and external perspective on the work of the Departmental Board; to bring some specific expertise to its discussions; and to provide a constructive challenge across the Departmental Board's business. Other Departmental Directors have been invited to attend meetings where agenda items relevant to their business areas required their attendance to inform discussion. The Departmental Board's work is guided by a Corporate Governance Framework which is reviewed regularly.

2.7 Further details on the Departmental Board can be found in the main Governance Statement published in the Department's 2020-21 Annual Report and Accounts. This includes a list of members along with individual attendance records, details of the Board's role and categories of routine business.

Board Sub-Committees

2.8 During 2020-21 the Departmental Board was supported by the Audit and Risk Assurance Committee (ARAC).

Audit and Risk Assurance Committee

2. 9 The ARAC is an independent advisory Committee with no executive functions. Its role is to support me as Accounting Officer and to support the Departmental Board in discharging our respective responsibilities for issues of risk, control, governance and associated assurance with the support of a professionally qualified Internal Audit (IA) service.

2.10 The ARAC comprises four independent members. Two members are serving senior civil servants and two are Department of Education independent non-executive Board members. There was one non-executive Board member from January 2020 until May 2022. As of now there is a full complement of Board members being two non-executive members together with two independent members.

2.11 During 2020-21 ARAC meetings were also attended by: a number of the Department's staff, including myself as Permanent Secretary; the Deputy Secretary with responsibility for Resources and Reform, the Finance Director, the Director of Corporate Services and Governance, the Head of Internal Audit, and representatives from the Department's external auditors, the Northern Ireland Audit Office (NIAO).

2.12 Throughout the year the Committee considered the findings from Internal and External Audit activity including updates on whistleblowing and fraud cases, along with the outcomes of key governance processes such as risk management, Governance and Accountability Review meetings and the bi-annual Non Departmental Public Body (NDPB) governance statements. In addition, the Committee invited various risk owners (Directors) to attend and provide assurance on their areas of responsibility.

ARAC Attendance 2020-21

2.13 See below details of ARAC members' attendance during the year:

Name	Meetings Attended	Out of a possible
Joan McEwan Chairperson	5	5
Judith Andrews	4	5
Gavin Patrick	5	5

Further details on the ARAC can be found in the main Governance Statement published in the Department's 2020-21 Annual Report and Accounts.

Pension Board/Scheme Advisory Board

2.14 The NITPS Pension Board and Scheme Advisory Board were established under the Teachers' Pension Scheme Regulations (Northern Ireland) 2014. The Pension Board has responsibility for assisting the Scheme Manager to secure compliance with the Regulations and other legislation relating to the governance and administration of the Scheme, along with the provision of advice to the Department about the scope and direction of the administration as delivered by its service providers and Department of Education officials.

2.15 The Pension Board also provides assurance to me as Accounting Officer, scheme members and employers about the effective financial management of the NITPS, including contribution collection, financial forecasting, debt management and production of Scheme Statements. The Board consists of the Chair, appointed by the Minister of Education, four scheme member representatives, four employer representatives, a pension specialist from within the wider Public Sector, and two Department of Education officials.

The Board membership is as follows:

Northern Ireland Teachers Pensions Board Members	
Role	**Name**
Scheme Manager	Mark Bailey
Chair	Michael Burton
Public Service Pension Scheme (PSPS) Member	Margaret Coyle *
Departmental Member	Gary Fair
Employer Rep	Brendan McAleer
Employer Rep	Gerald McGarry
Employer Rep	Robbie McGreevy
Employer Rep	Joanne McKenna
Member Rep	Mike Beard
Member Rep	Raymond Beggs
Member Rep	Justin McCamphill
Member Rep	Nuala O'Donnell

* Margaret Coyle left the board in December 2021, and was replaced by Peter Philip (DoF) who joined in January 2022.

2.16 The Scheme Advisory Board is responsible for providing advice to the Scheme Manager, at the Department's request, on the desirability of changes to the Scheme and on matters of policy. The Board also facilitates discussion between the Department, teacher unions and employer representatives on policy development and policy implementation for the NITPS. The Board is chaired by a Departmental official. The following organisations have representation on the Board;

Department of Education
Department for the Economy
National Education Union
National Association of Head Teachers
National Association of Schoolmasters, Union of Women Teachers
Irish National Teachers' Organisation
Ulster Teachers' Union
University and Colleges Union
Education Authority
Council for Catholic Maintained Schools
Colleges Northern Ireland
Northern Ireland Council for Integrated Education
Comhairle na Gaelscolaíochta
Governing Bodies Association

2.17 The Department maintains registers of any notified conflicts of interest for members of the Pension Board and Scheme Advisory Board.

3 Department of Education / NI Teachers' Pension Scheme Governance Bodies Performance

3.1 I consider that the Departmental Board, NITPS Pension Board and Scheme Advisory Board, operated effectively during 2020-21, meeting regularly and considering relevant issues at the appropriate time.

Review of Departmental Board Effectiveness

3.2 An evaluation of the Department of Education (DE) Board effectiveness is carried out each year. Although the evaluation process has been impacted during the period of the COVID-19 pandemic, I consider that the Departmental Board operated effectively during the periods 2020-21 and 2021-22, meeting regularly and considering relevant issues at the appropriate time.

3.3 The annual evaluation of DE Board effectiveness for 2021-22 has been delayed due to other pressures. The Forward Work Programme for the Board for 2022-23 was signed off in November 2022. An effectiveness review of the session of the Board just ended will be undertaken shortly and a report submitted to the Board for consideration.

4 Corporate Governance

4.1 As noted in the Department's Governance Statement, the Department has in place a Corporate Governance Framework which aligns with the Corporate Governance in Central Government Departments: Code of Practice NI 2013. Subsidiary Governance Statements were prepared and signed by all Directors and have been used to prepare the Department's Governance Statement.

5 Quality of data used by the Board

5.1 The Departmental Board relies on four main sources of data to inform its deliberations. These are:

- Statistical information (for example, data related to enrolments, attainment, attendance, workforce);
- Financial information (including monitoring reports on capital and resource expenditure);
- Human Resources information, mainly data on attendance management; and
- Inspection evidence, mainly data used to compile the Chief Inspector's report and the annual report to the Departmental Board.

5.2 The Department's Annual Report and Accounts sets out the steps taken by the Board to satisfy itself as to the quality of data provided.

6 Ministerial Directions

6.1 Arrangements exist to respond to a situation where an Accounting Officer believes that he/she is being asked by a Minister to take a course of action that could potentially result in irregular expenditure; impropriety; or poor value for money. In such circumstances, the Accounting Officer may seek a formal Ministerial Direction to proceed. There have been no Ministerial Directions to date in relation to the NITPS.

7. Risk Assessment

7.1 The Departmental Board has responsibility for ensuring that an effective risk management process is in place and is regularly reviewed. In discharging this responsibility, it is supported by the ARAC and the Department's Internal Audit team. The Chair of ARAC is an independent Board member on the Departmental Board and is privy to discussions in relation to Departmental risk at Departmental Board meetings. This arrangement, in conjunction with written and oral updates provided at each meeting, ensures that the ARAC is kept fully informed of the Department's risk profile to enable it to undertake its responsibilities effectively.

7.2 The Department's Risk Management Framework (RMF) sets out the Department's approach to risk and the mechanisms through which potential risks to the achievement of the Departmental objectives are identified and evaluated. The RMF is updated annually to reflect organisational changes and other routine amendments, such as those relating to the management and information risk. The RMF was updated in April 2021 to reflect working from home arrangements and other routine amendments and again in April 2022, particularly to strengthen the rules for risk registers at all levels in the Department. The RMF requires that any Directorate residual risk that is assessed as "Orange" or "Red" must be reported to the Departmental Board, with the Minister also being informed of any "Red" risks. Contingency plans should also be developed and tested, where required.

Budget Authority

7.3 The Assembly passed the Budget Act (Northern Ireland) 2021 in March 2021, which authorised the cash and use of resources for all departments for the 2020-21 year, based on the Executive's final expenditure plans for the year. The Budget Act (Northern Ireland) 2021 also authorised a Vote on Account to authorise departments' access to cash and use of resources for the early months of the 2021-22 financial year. The Budget (No. 2) Act (Northern Ireland) 2021 which received Royal Assent on 4 August 2021 authorised the cash and resource balance to complete for the remainder of the 2021-22 financial year based on the Executive's 2021-22 Final Budget.

7.4 The Assembly passed the Budget Act (NI) 2022 in March 2022 which authorised the cash and use of resources for all departments for 2021-22 year, based on the Executive's final expenditure plans for the year. The Budget Act (NI) 2022 also included a Vote on Account which authorised departments' access to cash and use of resources for the early months of the 2022-23 financial year. Subsequently, in the absence of Executive Ministers, the 2022-23 Resource Budget for Education was set out in the Secretary of State for Northern Ireland's written Ministerial Statement on 24 November 2022. The Northern Ireland Budget Act 2023 was passed by Parliament and received Royal Assent on 8 February 2023 which authorised the cash and use of resources for all departments and other bodies for the full 2022-23 year, and also included a Vote on Account for the early months of the 2023-24 financial year. Following his confirmation of the opening resource budget for 2023-24, set in out in his written Ministerial Statement on 27 April 2023, the Secretary of State will bring a further Budget Bill for 2023-24 to Parliament in due course.

7.5 As a result of the Northern Ireland Budget Act 2023 receiving Royal Assent on 8 February 2023 the arrangements put in place by the Department of Finance Permanent Secretary in respect of cash and resource limits under Section 7 of the Government Resources and Accounts Act (NI) 2001 and Section 59 of the Northern Ireland Act were superseded.

COVID-19

7.6 The Department put in place arrangements to work closely with all of its education partners on a range of complex issues arising from the COVID-19 pandemic.
The Department developed its own COVID-19 strategy and plan built around the Following strategic priorities in support of the Executive's COVID-19 response:

- To ensure the continuity of learning for children and young people;
- To support vulnerable children and children of key/critical workers; and
- To ensure families do not experience hardship as a result of schools closing.

Further details can be found in the main Governance Statement published in the Department's Annual Report and Accounts.

Teacher's Pension System Project

7.7 DE has a statutory obligation to manage the NITPS. On a day-to-day basis DE administers the scheme through the TPPT. Following a delay due to COVID-19 the new Teachers' Pension Computer System for Waterside House successfully went live on 12 November 2020. This ensured that the Department continued to administer the NITPS seamlessly and without interruption in accordance with relevant occupational, public service pension and scheme legislation requirements, including those of the NITPS Scheme Manager, NITPS Pension Board and The Pensions Regulator. In addition, prior to the COVID-19 pandemic, TPPT completed the task of converting all hard copy teachers' files into a digital format. This allowed the Department to continue to administer the NITPS, while staff were working from home.

7.8 Work is almost completed on phase two of the project the introduction of online portals for pensioners, active members and employers. These are expected to be launched in the first quarter of 2023.

Scheme Valuation

7.9 DoF made finalised Directions in the form of the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions (Northern Ireland) 2021. On the basis of the DoF Directions, GAD produced a finalised 2016 revaluation results report for the NITPS. The results for NITPS confirm that the cost cap of the scheme is 0.1% above the employer cost cap, the result lies within the ±2% corridor specified by Department of Finance Directions, with no changes to benefits or member contributions required.

Overpayments

7.10 There were no notable overpayments identified during the year. Recovery of previously discovered overpayments is ongoing.

Accuracy of membership data

7.11 The Department continues to focus on the accuracy of membership data. The Department is working with the new IT systems provider to deliver more accurate and reliable reports. The Department recognises the importance of the accuracy of the membership data produced from the pension system and continues to strive to improve the quality of this information.

Data security lapses

7.12 There were no reportable data breaches relating to the Scheme in 2020-21.

Fraud Prevention and Whistleblowing

7.13 The Department's fraud and whistleblowing arrangements, the scope of which, includes the Scheme, were reviewed as part of the Internal Audit (IA) Plan and it was concluded that they are fully compliant with current best practice.

7.14 Fraud monitoring and reporting arrangements have been effectively maintained throughout the year. There is one suspected fraud case ongoing within the Department during 2022-23.

7.15 The Department participates in the biennial National Fraud Initiative, which compares public sector databases to identify mismatches between information held. This allows the Department to compare teachers' pension payroll against other payrolls. Where mismatches are found, each case is investigated to ascertain if overpayments or possible fraud have taken place.

8 Excess Vote

8.1 In 2020-21, the NITPS expended more resources (£11.4m) than was authorised by the Assembly (£660m). The excess is primarily attributable to the increase in the Current Service Charge compared to the estimate. The Scheme will seek Assembly approval by way of an Excess Vote in a future Budget Bill. There was also an Accruing Resource (income) excess of £4.2m which will be surrendered to the Consolidated Fund.

8.2 Delays to the full implementation of the new Teachers' Pension System Financials module resulted in delays to the production of actual outturn figures during 2020-21 which only became available for actuarial review in August 2022 and therefore actuarial calculations were not available for the Spring Supplementary Estimate before it was finalised.

8.3 The alignment of the budgeting and estimates process in typical years is dependent upon intricate interactions between a number of stakeholders within and external to the Department. However, delays to the implementation of the new Teacher's Pension System as a result of Covid-19 and as a result the absence of actual in-year outturn figures, introduced additional complexity and uncertainty in determining the 2020-21 Spring Supplementary Estimates. Combined with a significantly higher than anticipated actuarial valuation of the current service cost, which only became available after the 2020-21 Estimate cycle, resulted in the Department exceeding the Estimate.

8.4 The Department is continuing to make progress to address the backlogs caused by the delays to the system implementation and to bring the NITPS annual statements back in line with statutory reporting requirements, therefore it is not known at this stage the impact of actuarial valuations on the 2021-22 and 2022-23 statements vis a vis the equivalent annual Estimate. However, the Department will continue to work closely with key stakeholders, including the Actuary to identify any opportunities to further enhance forecasting the NITPS Estimate.

9. Conclusion

9.1 In conclusion, it is my assessment that an appropriately rigorous system of governance and accountability in relation to the NITPS is operating, which I can rely on as Accounting Officer, to provide assurance that the public funds and other resources for which I am accountable are deployed effectively and appropriately in this area.

Signed: Mark Browne **Date: 06 June 2023**

Accounting Officer

STATEMENT OF OUTTURN AGAINST ASSEMBLY SUPPLY

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires NITPS to prepare a Statement of Outturn against Assembly Supply (SOAS) and supporting notes.

The SOAS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly.

The SOAS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision for resource and cash (drawn primarily from the Consolidated Fund), that the Assembly gives statutory authority for entities to utilise. The Estimate details supply and is voted on by the Assembly at the start of the financial year and is then normally revised by a Supplementary Estimate at the end of the financial year. It is the final Estimate, normally the Spring Supplementary Estimate, which forms the basis of the SOAS.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will normally receive a qualified opinion.

The format of the SOAS mirrors the Supply Estimates to enable comparability between what the Assembly approves and the final outturn. The Supply Estimates are voted by the Assembly and published on the DoF website.

The supporting notes detail the following: A reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SOAS to the financial statements (note 1); a reconciliation of net resource outturn to net cash requirement (note 2); an analysis of income payable to the Consolidated Fund (note 3), a reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund (note 4).

Summary tables – mirror Part II and III of the Estimates

Summary table 2020-21, all figures presented in £000

								2020-21 £'000	2019-20 £'000
		Outturn			Estimate				Outturn
Type Of Spend	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total Outturn Compared with Estimate: Saving/ (excess)	Net Total
Annually Managed Expenditure		1,017,373	(344,002)	673,371	1,006,000	(344,002)	661,998	(11,373)	679,357
Non-Budget		-	(2,065)	(2,065)	-	(2,083)	(2,083)	(18)	(2,066)
Total Resources	SOA S1	**1,017,373**	**(346,067)**	**671,306**	**1,006,000**	**(346,085)**	**659,915**	**(11,391)**	**677,291**

Net Cash requirement 2020-21, all figures presented in £000

				2020-21 £'000	2019-20 £'000
Item	Note	Outturn	Estimate	Net Total Outturn Compared with Estimate: Saving/ (excess)	Outturn
Net cash requirement	SOAS2	87,835	104,202	16,367	131,079

Summary 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).

		Forecast 2020-21 £'000		Outturn 2020-21 £'000	
	Note	Income	Receipts	Income	Receipts
Total amount payable to the consolidated fund	SOAS3	-	-	4,184	*4,184*

The notes on pages 30 to 32 form part of the SOAS.

Request for Resources – Excess (£11.4) m

The Scheme expended more resources (£11.4m) than was authorised by the Assembly (£660m). The excess is primarily attributable to the increase in the Current Service Charge compared to the estimate. The Scheme will seek Assembly approval by way of an Excess Vote in a future Budget Bill. There was also an Accruing Resource (income) excess of £4.2m which will be surrendered to the Consolidated Fund.

In the main the increased current service charge compared to 2019-20 has been driven by the decrease in the discount rate net of CPI inflation between 31 March 2019 and 31 March 2020. The actuarial loss has contributed to the excess driven by the decrease in the nominal discount rate leading to an increase in the value of the liabilities.

Net Cash Requirement – Saving £16.4 m

The saving was mainly due to lower than anticipated payment of pensions, lump sums payments and a smaller than anticipated change in working capital due to the timing of receipts and payments.

Notes to the Statement of Outturn against Assembly Supply, 2020-21 (£000s)

SOAS note 1. Reconciliation of outturn to net operating expenditure

				2020-21 £'000	2019-20 £'000
Item	Note	Outturn	Supply Estimate	Outturn Compared With Estimate: saving/(excess)	Outturn
Net Resource Outturn	SOAS1	671,306	659,915*	(11,391)	677,291
Prior Period Adjustments					
Non-supply income (CFERs)	SOAS3	-	-	-	-
Non –supply expenditure		(4,184)		4,184	
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure	**SOCNE**	**667,122**	**659,915**	**(7,207)**	**677,291**

***** *The total resource outturn in the SOAS note 1 is the same as net operating expenditure in the Statement of Comprehensive Net Expenditure, there are no reconciling items.*

As noted in the introduction to the SOAS above, Outturn and Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this note reconciles the resource outturn to net operating expenditure, linking the SOAS to the financial statements.

SOAS note 2. Reconciliation of net resource outturn to net cash requirement

This note mirrors Part II of the Estimates: Resource to Cash Reconciliation

Item	Note	Outturn	Estimate	Net Total Outturn Compared with Estimate: saving/(excess)
Resource Outturn	SOAS1	671,306	659,915	(11,391)
Accruals to cash adjustments:				
Adjustments to remove non-cash items				
New provisions and changes to previous provisions		(1,017,373)	(1,006,000)	11,373
Changes in working capital other than cash		523	5,000	4,477
Use of provisions		433,379	445,287	11,908
Net cash requirement		**87,835**	**104,202**	**16,367**

As noted in the introduction to the SOAS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. This reconciliation bridges the resource outturn to the net cash requirement.

SOAS note 3. Analysis of income payable to the Consolidated Fund

This note mirrors Part III of the Estimates: Extra Receipts Payable to the Consolidated Fund

In addition to income retained by the Scheme, the following income is payable to the Consolidated Fund (cash receipts being shown in italics)

Item		Forecast 2020-21 £'000		Outturn 2020-21 £'000	
	Note	Income	Receipts	Income	*Receipts*
Operating income and receipts – excess Accruing Resources		-	-	4,184	*4,184*
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Total income payable to the Consolidated Fund		**-**	**-**	**4,184**	*4,184*

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

Item		2020-21 £'000	2019-20 £'000
Operating income		(350,251)	(308,470)
Income authorised to be accruing resources		346,067	308,470
Operating income payable to Consolidated Fund		**4,184**	**-**

OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURES

Losses and Special payments

Losses statement:
During the years 2020-21 and 2019-20 total losses were less than £250,000; and in accordance with Annex 4.10 to MPMNI, no further disclosure is required.

Special payments:
During the years 2020-21 and 2019-20 there were no special payments.

Other payments:
During the years 2020-21 and 2019-20 there were no other significant payments.

Signed: **Date: 06 June 2023**

Accounting Officer

DEPARTMENT OF EDUCATION
TEACHERS' PENSION ANNUAL SCHEME STATEMENTS

THE 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 Department of Education: Teachers' Pension Scheme ("the Scheme") for the year ended 31 March 2021 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise the Combined Statement of Comprehensive Net Expenditure, Combined Statement of Financial Position, Combined Statement of Changes in Taxpayers' Equity, Combined Statement of Cash Flows and the related notes including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Government Financial Reporting Manual (FReM).

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of my report, the financial statements:

- give a true and fair view of the state of the scheme's affairs as at 31 March 2021 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 Outturn against Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2021; and
- except for the net expenditure of £7,207,000 in excess of the £659,915,000 authorised by the assembly, 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 for opinion on financial statements

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 Scheme in accordance with the ethical requirements of the

Financial Reporting Council's Revised Ethical Standard 2019 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.

Basis for qualified opinion on regularity arising from breach of an Assembly control total

In 2020-21 the Teachers' Pension Scheme expended more resources than the Assembly had authorised resulting in an excess vote. Net resource outturn of £667,122,000 was £7,207,000 in excess of the £659,915,000 limit authorised by the Assembly. The excess is primarily attributable to a significant increase in the Current Service Charge as compared to the previous year.

Delays to the full implementation of the new Teachers' Pension System Financials module resulted in delays to the production of actual outturn figures during 2020-21 which only became available for actuarial review in August 2022 and therefore actuarial calculations were not available for the Spring Supplementary Estimate before it was finalised.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Scheme's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in that report as having been audited and our audit certificate and report. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in our report, I do not express any form of assurance conclusion thereon.

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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- except for the possible effects of the matters described in the basis for qualified opinion section of my report, the parts of the Accountability Report to be audited have been properly prepared in accordance with 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.

Matters on which I report by exception

In the light of the knowledge and understanding of the Scheme and its environment obtained in the course of the audit, I have not identified material misstatements in other information.

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

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud of error;
- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Scheme will not continue to be provided in the future.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations we considered included governing legislation and any other relevant laws and regulations identified;
- making enquires of management and those charged with governance on the Scheme's compliance with laws and regulations;
- making enquiries of management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to the following, an engagement partner led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: management override of controls and the accuracy and presentation of the Statement of Assembly Supply;
- engagement partner oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing

financial statement disclosures to underlying supporting documentation and approvals as appropriate;

- addressing the risk of fraud as a result of management override of controls by:
    - performing analytical procedures to identify unusual or unexpected relationships or movements;
    - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
    - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
    - investigating significant or unusual transactions made outside of the normal course of business; and
- addressing the risk of fraud in relation to the accuracy and presentation of the Statement of Assembly Supply (SoAS) by:
    - ensuring all balances included in the SoAS have been accurately extracted from the underlying accounting records and primary financial statements; and
    - reviewing the composition of current asset and current liability balances in the Combined Statement of Financial Position to ensure items are accurately classified for net cash requirement calculation purposes.

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 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.

Report

Please see my report on page 59.

Dorinnia Carville
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU
9 June 2023

FINANCIAL STATEMENTS

COMBINED STATEMENT OF COMPREHENSIVE NET EXPENDITURE
for the year ended 31 March 2021

Principal Arrangements
Teachers' Pension Scheme

	Note	2020-21 £'000	2019-20 £'000
Income:			
Contributions receivable	3	(348,747)	(304,846)
Transfers in	4	(1,504)	(3,624)
Other pension income	5	-	-
		(350,251)	(308,470)
Expenditure:			
Current service cost	6	691,000	435,000
Past service cost	6	-	120,000
Pension financing costs	7	324,000	427,000
Enhancements	8	869	137
Transfers in – additional liability	9	1,504	3,624
Other pension cost	10	-	-
		1,017,373	985,761
Net expenditure		**667,122**	**677,291**

Other comprehensive net expenditure

	Note	2020-21 £000	2019-20 £000
Pension re-measurements:			
Actuarial loss/(gain)	14.7	1,524,008	2,568,462
Total comprehensive net expenditure/(income) for the year		**2,191,130**	**3,245,753**

The notes on pages 42 to 58 form part of these Scheme Statements.

COMBINED STATEMENT OF FINANCIAL POSITION
as at 31 March 2021

Principal Arrangements
Teachers' Pension Scheme

	Note	2020-21 £'000	2019-20 £'000
Current assets:			
Receivables	11	7,671	4,778
Cash and cash equivalents	12	2,022	2,173
Total current assets		9,693	6,951
Current liabilities:			
Payables (within 12 months)	13	(9,466)	(7,245)
Net current assets/(liabilities), excluding pension liability		227	(294)
Pension liability	14.4	(19,951,000)	(17,843,000)
Net liabilities, including pension liability		**(19,950,773)**	**(17,843,294)**
Taxpayers' equity:			
General fund		(19,950,773)	(17,843,294)
		(19,950,773)	**(17,843,294)**

Signed: **Date: 06 June 2023**

Accounting Officer

The notes on pages 42 to 58 form part of these Scheme Statements.

COMBINED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY for the year ended 31 March 2021

		General Fund	
		2020-21	**2019-20**
	Note	**£'000**	**£'000**
Balance at 1 April		(17,843,294)	(14,728,619)
Net Assembly Funding – drawn down		83,500	128,000
Net Assembly Funding – deemed (prior year)		2,173	5,251
Supply payable adjustment – current year	13	2,163	(2,173)
Excess accruing resources payable to CF		(4,185)	
Comprehensive net expenditure for the year		(667,122)	(677,291)
Actuarial (loss)/gain	14.7	(1,524,008)	(2,568,462)
Net change in taxpayers' equity		(2,107,479)	(3,114,675)
Balance at 31 March		**(19,950,773)**	**(17,843,294)**

The notes on pages 42 to 58 form part of these Scheme Statements.

COMBINED STATEMENT OF CASH FLOWS
for the year ended 31 March 2021

	Note	2020-21 £000	2019-20 £000
Cash flows from operating activities			
Net expenditure for the year		(667,122)	(677,291)
Adjustments for non-cash transactions:			
(Increase) / decrease in receivables	11	(2,894)	(258)
Less movement in receivables relating to items not passing through the Combined Statement of Comprehensive Net Expenditure		2,163	
(Decrease) / increase in payables	13	2,218	(8,146)
Less movement in payables relating to items not passing through the Combined Statement of Comprehensive Net Expenditure		(2,008)	3,078
Increase in pension provision	14.4	1,015,000	982,000
Increase in pension provision – enhancements and transfers in	14.4	2,373	3,763
Increase in pension provision – capitalised cost of enhancement	14.4	-	-
Use of provisions – pension liability	14.5	(432,014)	(431,405)
Use of provisions – death in service	14.5	(1,168)	(2,236)
Use of provisions – refunds and transfers	14.6	(199)	(584)
Net cash outflow from operating activities		**(83,651)**	**(131,079)**
Cash flows from financing activities			
From the Consolidated Fund (supply): current year		83,500	128,000
Net Assembly Financing		**83,500**	**128,000**
Net (decrease) / increase in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund		(151)	(3,079)
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		-	-
Payments of amounts due to the Consolidated Fund		-	-
Net (decrease) / increase in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund		(151)	(3,079)
Cash and cash equivalents at the beginning of the period	12	**2,173**	**5,252**
Cash and cash equivalents at the end of the period	12	**2,022**	**2,173**

The notes on pages 42 to 58 form part of these Scheme Statements.

NOTES TO THE SCHEME STATEMENTS

Basis of preparation of the Scheme Statements

1. The financial statements of the NITPS have been prepared in accordance with the relevant provisions of the 2020-21 Government Financial Reporting Manual (FReM) issued by 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 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 Outturn against Assembly Supply. This statement, and the supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

   The NITPS is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the Department of Education (the Department) on behalf of the members.

   Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary and approved by the Department. 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 Department and reported in the Departments financial statements.

   The financial statements of the Scheme show the financial position of the NITPS and the Teachers' Premature Retirement Compensation 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, amongst other things, factors contributing to the change in the net liability analysed between the pension cost, enhancements and transfers in, 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 Scheme Statements also have regard to the Accounts Direction given by the DoF in accordance with Section 9(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

Statement of accounting policies

2. The accounting policies contained in the FReM follow IFRS to the extent 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 Statements.

Going Concern Basis

i. The Statement of Financial Position as at 31 March 2021 shows net liabilities of £20.0bn, reflecting liabilities due in future years. It is considered appropriate to adopt a going concern basis for the preparation of the financial statements as the Scheme is supply financed and draws its funding from the Consolidated Fund. The Scheme operates on a pay-as-you-go basis with the shortfall being met through the Supply Funding process. Therefore, the actuarial liability of accrued costs will always place the Scheme in a net liability position.

Accounting convention

ii. These Scheme Statements have been prepared under the historical cost convention

Pension contributions receivable

iii. Employers' normal contributions are accounted for on an accruals basis. Employers' special contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of such an agreement, on an accruals basis. Employee's contributions and amounts received in respect of the purchase of added years of service are accounted for on an accruals basis. Neither AVCs nor payments to providers of Stakeholder Pensions (see the Report of the Managers), are brought into account in these statements.

Transfers in and out

iv. Transfers in and out in respect of individuals are accounted for on a cash basis. However, where the Scheme has formally accepted or transferred a liability in respect of a group transfer, such transfers are accounted for on an accruals basis. Transfers in are simultaneously recognised as income and expenditure so that the increase in the Scheme liability is accounted for at the same time as the income is received.

Other income

v. Other income, including refunds of benefits, overpayments recovered other than by deduction from future benefits and miscellaneous income, and the recovery of the capitalised cost of enhancement under the Premature Retirement Compensation Scheme are 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.

Current service cost

vi. The current service cost is the increase in the present value of the Scheme liabilities arising from current members' service in the current period and is recognised in the Combined Statement of Comprehensive Net Expenditure. It is calculated by factoring up the actual contribution rates charged to employers (25.1%) to the projected unit credit rate (68.9%) adopted by the Actuary.

Past service cost

vii. Past service costs are changes 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, change to, or improvement to, retirement benefits. Past service costs are recognised in the Combined Statement of Comprehensive Net Expenditure in the year in which the change in benefits vests.

Pension financing cost

viii. The pension financing 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 2020, being -0.5% per cent real rate (i.e. 1.80% per cent including CPI inflation) and is recognised in the Combined Statement of Comprehensive Net Expenditure. These discount rates are determined by HM Treasury and circularised in a PES paper.

Other expenditure

ix. Other expenditure is accounted for on an accruals basis except for the costs of administering the NITPS and the Teachers Premature Retirement Scheme which are borne by the Department.

Scheme liability

x. Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liability is measured on an actuarial basis using the Projected Unit Credit Method (PUCM) and is discounted at the rate applicable at the close of 31 March 2021, being -0.5 % per cent real rate (i.e. 1.80% per cent including CPI inflation).

Full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the reporting period date and updates it to reflect current conditions.

Further details in respect of the Scheme liability are provided in note 14.

Pension benefits payable

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

Pension payments to those retiring at their normal retirement age

xii. Lump sums and annual pension payments are accounted for on an accruals basis. Recognition is based on the pension liability accruing from the day following the date of retirement.

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

xiii. Refunds of employees' contributions are accounted for on an accruals basis. Refunds include amounts payable both at the time of leaving or at normal retirement age (or earlier death).

Lump sums payable on death in service

xiv. 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.

Actuarial gains and losses

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

Premature Retirement Compensation

xvi. The cost of compensation for early retirement because of redundancy or in the interests of the efficient discharge of the employer's function can be broken down into two elements, being the cost of enhancement (added years) and the cost of the early payment of unreduced pension. From 1 April 2008, employers became liable for the cost of enhancement in the form of a lump sum paid to the Scheme to meet the liabilities that have yet to be discharged. During 2008-09 and 2009-10, the Scheme continued to meet the cost of early payment of unreduced pension. The cost of the future liability in setting up and revising the provision is recorded as expenditure in the Combined Statement of Comprehensive Net Expenditure, with the offsetting income reflecting the reimbursements receivable from the employers. The Department made regulations, which came into operation on 30 April 2010, which have the effect of transferring the full cost of premature retirement compensation (i.e. both enhancement and early payment of pension) to employers.

Cash and cash equivalents

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

Currency and rounding

xviii. The functional currency is Sterling and, except where otherwise stated, all figures have been rounded to the nearest thousand pounds.

Changes to International Financial Reporting Standards

xix. Management have reviewed all new accounting standards and concluded that there are no changes affecting these annual Scheme Statements. In line with the requirements of the FReM, IFRS 16, Leases, will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2022. Management have assessed the impact of this standard on the Scheme Statements and have judged it to be immaterial. IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts and is effective for accounting periods beginning on or after 1 April 2023. This will have an immaterial effect on these Scheme Statements.

Changes to the Financial Reporting Manual

xx. The FReM for 2020-21 did not introduce any changes applicable to these annual Scheme Statements other than a change of name of the SOAS disclosure and other presentational changes associated with SOAS losses and special payments statement.

3. Contributions receivable

	2020-21 £000	**2019-20 £000**
Employers' contributions	(251,981)	(220,539)
Employees' contributions - normal	(93,832)	(82,103)
Employees' contributions - purchase of added years	(869)	(138)
Premature retirement compensation receipts from DfE	(2,065)	(2,066)
	(348,747)	**(304,846)**

4. Transfers in (*see also* Note 9)

	2020-21 £000	2019-20 £000
Individual transfers in from other schemes	**(1,504)**	**(3,624)**

5. Other pension income (*see also* Note 10)

	2020-21 £000	2019-20 £000
Capitalised cost of enhancements to pensions payable	-	-

6. Pension cost (*see also* Note 14.4)

	2020-21 £000	2019-20 £000
Current service cost	691,000	435,000
Past service cost	-	120,000
	691,000	**555,000**

7. Pension financing cost (*see also* Note 14.4)

	2020-21 £000	2019-20 £000
Net interest on defined benefit liability	**324,000**	**427,000**

8. Enhancements *(see also* Note 14.4*)*

	2020-21	2019-20
Purchase of added years and added pension	**£000**	**£000**
Employees:	869	137
	869	**137**

9. Transfer in – additional liability (*see also* Note 4)

	2020-21 £000	2019-20 £000
Group Transfers In from Other Schemes	**710**	**-**
Individual transfers in from other schemes	**794**	**3,624**
	1,504	**3.624**

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 part of the movement in the provision during the year.

10. Other pension cost (*see also* Note 5)

	2020-21 £000	2019-20 £000
Capitalised cost of enhancement to pensions payable	**-**	**-**

11. Receivables - contributions due in respect of pensions

11.1 Analysis by type

Amounts falling due within one year:	**2020-21 £000**	**2019-20 £000**
Pension contributions due from employers	3,267	3,314
Employees' normal contributions	1,903	1,223
Overpaid pensions	263	316
Provision for bad debt	(94)	(75)
Receivable from DfE	169	-
Amounts due from the Consolidated Fund in respect of supply	2,163	
Total amounts falling due within one year	**7,671**	**4,778**

Included within these figures is £nil (2019-20: £nil) that will be due to the Consolidated Fund once the debts are collected.

12. Cash and cash equivalents

	Note	2020-21 £000	2019-20 £000
Balance at 1 April		2,173	5,252
Net change in cash balances		(151)	(3,079)
Balance at 31 March		**2,022**	**2,173**
The following balances at 31 March were held at:			
Commercial banks and cash in hand		**2,022**	**2,173**

13. Payables - in respect of pensions

13.1 Analysis by type

Amounts falling due within one year:	2020-21 £000	2019-20 £000
Pensions	(754)	(569)
HMRC and voluntary contributions	(4,449)	(4,274)
Interdepartmental balances owed in respect of refund of overpaid contributions	(49)	(23)
Other payables	(31)	(206)
Amounts issued from the Consolidated Fund for supply but not spent at year end	-	(2,173)
Consolidated Fund extra receipts received due to be paid to the Consolidated Fund	-	-
Received	(4,185)	-
Receivable	-	-
Total amounts falling due within one year	**(9,468)**	**(7,245)**

14. Pension liability

14.1 Assumptions underpinning pension liability

The Department's NITPS is an unfunded defined benefit scheme. The GAD carried out an assessment of the Scheme liabilities as at 31 March 2021. The Report of the Actuary on pages 11 to 17 sets out the scope, methodology and results of the work the Actuary has carried out.

The report on the 2016 funding valuation of the Scheme is dated 14 March 2019. The previous full funding valuation of the Scheme was completed at 31 March 2012. The valuation as at 31 March 2016 is the most recent valuation for the Scheme, the next valuation is in progress based on data as at 31 March 2020.

This assessment has been carried out by calculating the liability as at 31 March 2019 based on the data provided as at the 31 March 2019 and rolling forward that liability to 31 March 2021.

The liabilities at 31 March 2019 have been calculated using membership data as at 31 March 2019 which GAD deems sufficient to assess the liability.

The discount rate and inflation assumptions are set out in the PES note issued by HM Treasury (PES 2020 12 Revised; dated 18 December 2020). The PES document sets out that the discount rate is based on returns from AA Corporate Bonds. The demographic assumptions are the same as those adopted for the 31 March 2016 funding valuation of the Scheme and the Statements as at 31 March 2019. Mortality improvements are assumed to be in line with the latest 2018 based principal population projections for the United Kingdom.

The Scheme Manager together with the Actuary and the auditor have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the Scheme 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 2021**	**At 31 March 2020**	**At 31 March 2019**	**At 31 March 2018**	**At 31 March 2017**
Rate of increase in salaries	3.72%	4.10%	4.10%	3.95%	1.00%
Rate of increase in pensions in payment and deferred pensions	2.22%	2.35%	2.60%	2.45%	2.55%
Nominal discount rate	1.25%	1.80%	2.90%	2.55%	2.80%
Rate of CPI inflation*	2.22%	2.35%	2.60%	2.45%	2.55%
Discount rate net of CPI	0.95%	0.50%	0.29%	0.10%	0.24%

**The inflation assumptions shown are based on CPI.*

Life expectancies at age 60		**At 31 March 2021**	**At 31 March 2020**	**At 31 March 2019**	**At 31 March 2018**	**At 31 March 2017**
Current retirements:	Females (years)	29.8	29.7	30.6	30.5	31.7
	Males (years)	27.8	27.7	28.6	28.5	29.4
*Retirements in 20 years time:	Females (years)	31.4	31.3	32.4	32.3	33.6
	Males (years)	29.4	29.3	30.5	30.4	31.4

**The life expectancy from age 60 of future pensioners will depend on their current age. This table shows the life expectancy from age 60 for future pensioners currently aged 40*

Life expectancies at age 65		**At 31 March 2021**	**At 31 March 2020**	**At 31 March 2019**	**At 31 March 2018**	**At 31 March 2017**
Current retirements:	Females (years)	24.8	24.8	25.6	25.5	26.6
	Males (years)	22.9	22.8	23.6	23.5	24.4
*Retirements in 20 years time:	Females (years)	26.3	26.2	27.3	27.2	28.4
	Males (years)	24.5	24.4	25.5	25.4	26.3

**The life expectancy from age 65 of future pensioners will depend on their current age. This table shows the life expectancy from age 65 for future pensioners currently aged 45.*

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 Scheme Statements 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 greatest 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 financial assumptions table above. 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 at the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions 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 sensitivity analysis of the pension liability below in section 14.3.

14.2 Analysis of pension liability

Analysis of provision for pension liability	At 31 March 2021 £ billion	At 31 March 2020 £ billion	At 31 March 2019 £ billion	At 31 March 2018 £ billion	At 31 March 2017 £ billion
Pensions in payment	7.56	6.84	6.35	6.68	6.30
Deferred members	0.87	0.80	0.68	0.71	0.65
Active members	11.52	10.20	7.69	7.77	7.83
Total	**19.95**	**17.84**	**14.72**	**15.16**	**14.78**

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

The value of the liability on the Statement of Financial Position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases 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 14.7. The disclosure of "experience" gains or losses for the year in note 14.8 shows 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.

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

The liability is very sensitive to the assumed discount rate but this is primarily because changing the discount rate in isolation also changes the rate net of earnings and pension increases. If earnings and pension increases were increased at the same time then the impact on the liability would be small. Higher pension increases have a substantial effect because this has an impact on all categories of members.

A wide range of demographic assumptions is required to determine the actuarial liability. All the assumptions are uncertain but some of the assumptions are more uncertain than others owing to the quality of the past data available for analysis and its relevance to members' future circumstances. For example, the timing of retirements for members who remain in the existing scheme after 1 April 2015 is more predictable than for those who are moved into the new career average scheme. Some assumptions, for example, rates of death in service, only have a small impact on the liability. The significant assumptions for the purpose of the sensitivity analysis are those which are more uncertain and may have the potential for a larger impact on the liability. These are pensioner mortality, timing of retirements for members moving to the new scheme and withdrawal rates.

The following table shows the indicative effects on the total liability as at 31 March 2021 of changes to these assumptions (mostly rounded to the nearest 0.5%). The sensitivities show the change in each 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.

Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions:			
(i) Discount rate*	+0.5% a year	-10.5%	-£2,100 m
(ii)(long term) earnings increases*	+0.5% a year	+2.0%	+£400 m
(iii) pension increases*	+0.5% a year	+8.5%	+£1,700 m
Demographic assumptions:			
(iv) additional one year increase to life expectancy at retirement*		+4.0%	+£800 m

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

14.4 Analysis of movements in the Scheme liability

	Note	2020-21 £000	2019-20 £000
Scheme liability at 1 April		(17,843,000)	(14,723,000)
Current service cost	6	(691,000)	(435,000)
Past Service Cost	6	-	(120,000)
Pension financing cost	7	(324,000)	(427,000)
		(1,015,000)	(982,000)
Enhancements	8	(869)	(139)
Pension transfers in	9	(1,504)	(3,624)
Other pension cost	10	-	-
		(2,373)	(3,763)
Benefits payable	14.5	433,182	433,641
Pension payments to and on account of leavers	14.6	199	584
		433,381	434,225
Actuarial (Loss)/Gain	14.7	(1,524,008)	(2,568,462)
Scheme liability at 31 March		**(19,951,000)**	**(17,843,000)**

During the year ended 31 March 2021, employers' and employees' contributions represented an average of 34.5% of pensionable pay.

14.5 Analysis of benefits paid

	2020-21 £000	2019-20 £000
Pensions or annuities to retired employees and dependents (net of recoveries or overpayments)	395,196	387,930
Commutations and lump sum benefits on retirement	36,818	43,475
Lump sum benefits on death in service	1,168	2,236
Total benefits paid	**433,182**	**433,641**

14.6 Analysis of payments to and on account of leavers

	2020-21 £000	2019-20 £000
Refunds to members leaving service	37	119
Individual transfers to other schemes	162	465
Total payments to and on account of leavers	**199**	**584**

14.7 Analysis of actuarial (loss)/gain

	2020-21 £000	2019-20 £000
Experience gains /(losses)	125,992	34,538
Changes in mortality assumptions	-	528,000
Changes in demographic assumptions	-	-
Changes in financial assumptions	(1,650,000)	(3,131,000)
Total actuarial (loss) /gain	**(1,524,008)**	**(2,568,462)**

The actuarial loss is a result of an experience gain and an adverse change in financial assumptions.

14.8 History of experience gains / (losses)

	2020-21	2019-20	2018-19	2017-18	2016-17
Experience gains / (losses) on Scheme liabilities:					
Amount (£'000)	125,992	34,538	184,298	(70,618)	66,826
Percentage of the present value of the Scheme liabilities	0.6%	0.2%	(1.3)%	(0.5)%	0.5%
Total amount recognised in the Statement of Changes in Taxpayers' Equity:					
Amount (£'000)	(1,524,008)	(2,568,462)	947,298	80,382	(2,966,174)
Percentage of the present value of the Scheme liabilities	(7.6)%	(14.4)%	6.4%	0.5%	(20.0)%

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 negligible credit, liquidity or market risk.

16. Contingent liabilities disclosed under IAS 37

In the unlikely event of a default by Prudential plc, the Department's approved provider of an AVCs scheme, the Department will guarantee pension payments due from that scheme. This guarantee does not apply to members who make payments to institutions offering FSAVCs Schemes.

Legal Cases

McCloud

Work is progressing on the legislative steps required to implement the remedy. The actuarial liability as at 31 March 2021 includes provision for management's best estimate of the higher expected costs to implement the remedy under the latest proposals based on information currently available. Should there be any further change to the proposals, amounts recognised may need to be revised. The Judicial Review on the McCloud case has now been pushed to the end of January 2023 with any outcome of this review expected to be several weeks or months after this event. It is felt that there is robust arguments to support defending this case.

17. Related party transactions

The NIPTS and the Teachers' Premature Retirement Scheme falls within the ambit of the Department. The department is regarded as a related party with which the Scheme has had various material transactions during the year. In addition, the Scheme has had material transactions with other government departments, and other central government bodies whose employees are members of the Schemes. None of the Managers of the Schemes, key managerial staff or other related parties has undertaken any material transactions with the Scheme during the year.

18. Events after the reporting period

The Government laid primary legislation (the Public Service Pensions and Judicial Offices Bill) before parliament in December 2021 to implement changes in public service pension schemes to remedy the discrimination identified by McCloud, which received Royal Assent on 10 March 2022. Under the legislation all members under each of the main public sector pension schemes will be moved into the 2015 schemes on 1 April 2022 irrespective of age. Legislation was introduced on 1 April 2022 to effect this. To remove the discriminatory effect of transitional protection eligible members will be offered a choice over the set of benefits (legacy scheme or 2015 scheme) they wish to receive for any pensionable service during the period 1 April 2015 to 31 March 2022. The treatment of the deferred choice underpin is currently being challenged in a judicial review. A ruling against this remedy could potentially result in higher costs of accrual from 1 April 2019 onwards. As the judicial review is on -going no allowance has been made for this at 31 March 2021. As noted above the Judicial Review on the McCloud case has now been pushed to the end of January 2023.

There were no events that require amendment to these financial statements after the reporting period.

However there have been a number of significant events in the past 2 years which are worth noting:

<u>General View</u>

There have been a number of notable events that have occurred after the balance sheet date. These have not affected these disclosures but are likely to impact future year's statements.

Significant political events have occurred including:

- Changes to the leadership of the UK Government
- The suspension of the Northern Ireland Assembly
- The Russian invasion of Ukraine

The global Covid-19 outbreak has continued to develop. From February 2022 the UK Government has shifted focus to a policy of "Living with Covid". Whilst we now have a clearer understanding of Covid deaths during the pandemic, the longer-term impacts on UK health and longevity remain uncertain.

These events have also had a consequential impact on world markets. Supply chains have been distorted by the pandemic, and energy and food prices have been affected by the war in Ukraine. This has led to high levels of inflation across the world. Financial markets have also been affected by these events, with global interest rates increasing in response to higher inflation.

Higher inflation and interest rates are likely to have an impact on payments made by, and the actuarial liabilities disclosed in respect of, the NITPS in future years.

<u>Specific impact on scheme liabilities</u>

The value of the liabilities shown are inherently uncertain, and are sensitive to even a small change in the assumptions made. There has been increased volatility in financial markets since the end of the reporting period, which means that the value of the liabilities at the end of the financial period may differ significantly if the assumptions were set based on known experience since then and updated market conditions at a different point in time.

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 nominal discount rate is based on yields on high quality corporate bonds. There are a range of factors which affect the yield on corporate bonds, which ultimately affects the supply and demand of these assets. Many of these factors are interrelated and include (but are not limited to):

- Inflation
- Interest Rates
- Political stability (both nationally, UK-wide and internationally); and
- The effects to unexpected events such as the Covid-19 pandemic and the ongoing war in Ukraine

Since the end of the reporting period, there has been an increase in the yield on high quality corporate bonds, which would be expected to increase the nominal discount rate. All else being equal, an increase in the discount rate, net of inflation, leads to a decrease in the value of the liabilities.

Higher than expected inflation experience, and an increase the market expectations for future inflation, have on offsetting effect against the impact of the rise in corporate bond yields since the end of the reporting period. For example, scheme benefits linked to CPI inflation were increased in April 2022 based on the measurement of CPI to September 2021 (3.1%), which is higher than the assumption of 2.22% at the end of the reporting period. Market expectations for future inflation have also increased since the end of the reporting period. In isolation, higher than expected inflation experience and increased expectations for future inflation increase the value of the liabilities.

Whilst both corporate bond yields and market expectations of future of inflation have increased since the end of the reporting period, it is a change in the difference between these two measures which would have the biggest effect on the value of the liabilities disclosed in respect of the NITPS in future years.

Consideration to the fact that the NITPS is an Unfunded scheme and unlike the many Funded schemes does not rely on investments that would be affected by issues such as UK political change/ NI suspension, War in Ukraine, Geo-political issues etc., also needs to be taken into account.

19. Date of authorisation for issue

The Accounting Officer authorised the issue of the Scheme Statements on **09 June 2023**.

DEPARTMENT OF EDUCATION
TEACHERS' PENSION ANNUAL SCHEME STATEMENTS

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

There are two issues that I would like to draw attention to on the Teachers' Superannuation Scheme: Resource Accounts 2020-21.

A. EXCESS VOTE

Purpose of the Report

1. In 2020-21, the Teachers' Superannuation Scheme expended more resource than the Northern Ireland Assembly (the Assembly) had authorised. By so doing, the Scheme breached the Assembly's control over its expenditure and incurred what is termed an 'excess' for which further Assembly approval is required. I have qualified my regularity opinion on the Teachers' Superannuation Scheme 2020-21 resource accounts in this regard.

2. The purpose of this report is to explain the reasons for this qualification and to provide information on the extent and nature of the breach to inform the Assembly's further consideration.

My responsibilities with regard to the breach of regularity

3. As part of my audit of the Teachers' Superannuation Scheme's financial statements, I am required to satisfy myself that, in all material respects, the expenditure and income shown in the resource accounts have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them; that is, they are 'regular'. In doing so, I have had regard to the Supply limits set on expenditure by the Assembly.

Background to the Excess

4. The Assembly authorises and sets limits on expenditure on two bases – 'resources' and 'cash'. Such amounts are set out in the Supply Estimates for which approval and authority is given in the annual Budget Acts Northern Ireland.

5. In the case of the Teachers' Superannuation resource accounts there is one Request for Resource (RfR), the purpose of which is to provide for the payment of pensions, lump sums and premature retirement compensation to persons covered by the Teachers' Superannuation Scheme. The total expenditure on any RfR must not exceed the amount granted by the Assembly.

Limits

6. The resource limit for the Scheme was set out in the Northern Ireland Main Supply Estimates for 2020-21, as amended by the Northern Ireland Spring Supplementary Estimates. The limit on the RfR was set at £678,161,000 and subsequently amended to £659,915,000 for 2020-21. This limit was authorised in the Budget Act (Northern Ireland) 2020, the Budget (No.3) Act (Northern Ireland) 2020 and the Budget Act (Northern Ireland) 2021. The breach reported below is against this limit.

Breach of Resource limit

7. The Statement of Parliamentary Supply to the Teachers' Superannuation Scheme 2020-21 resource accounts shows that the RfR was £667,122,000 which is £7,207,000 or 1.09 per cent in excess of the Estimate RfR authorised. It is proposed to ask the Assembly to authorise a further grant of supply from the Consolidated Fund by way of an Excess Vote.

Details and Causes

8. The first Resource breach is an overspend on the Gross Expenditure, this overspend was largely due to the Current Service Cost (a notional charge to the pension scheme derived by the actuary) being much higher than anticipated, as a result the actual outturn for Gross Expenditure for the 2020-21 year is £11,391,000 higher than estimated.

9. The second breach is in respect of Accruing Resources (ARs), this is the result of member's contributions received during the year being higher than anticipated, actual ARs are £4,184,000 higher than estimated. The net Resource position is an excess of £7,207,000. The Department of Finance (DoF) has advised that in this case the excess receipts are Consolidated Fund Excess Receipts (CFERs) unless or until the Assembly authorises them to be retained as ARs.

10. A statement of excesses will be brought to the Assembly to seek authority for the excess expenditure to be funded by new supply and the use of the excess receipts as ARs i.e. authority will be sought from the Assembly for the £11,391,000 excess Gross Expenditure and for the £4,184,000 to be used as ARs. The net excess of £7,207,000 would be the residual funded by new supply.

11. The Department has told me Teachers' Pensions expenditure is demand led and is categorised as Annually Managed Expenditure (AME) which, by its nature, is difficult to predict. The excess ARs are member's pension contributions therefore it is expected that approval will have to be given to treat them as ARs as they belong to the members of the pension scheme and form part of the scheme liability.

Action to be taken by the Department to help prevent a recurrence

12. The Department told me the alignment of the budgeting and estimates process in typical years is dependent upon intricate interactions between a number of internal and external stakeholders. Delays to the implementation of the new Teacher's Pension System as a result of Covid-19, and as a result the absence of actual in-year outturn figures, introduced additional complexity and uncertainty in determining the 2020-21 Spring Supplementary Estimates. Combined with a significantly higher than anticipated actuarial valuation of the current service cost, which only became available after the 2020-21 Estimate cycle, resulted in the Department exceeding the Estimate. The Department advised me it is continuing to make progress to address the backlogs caused by the delays to the system implementation and to bring the NITPS annual statements back in line with statutory reporting requirements. The Department further advised it will continue to work closely with key stakeholders, including the Actuary to identify any opportunities to further enhance forecasting the NITPS Estimate and to strengthen monitoring arrangements.

Summary and conclusions

13. In forming my opinion on the Teachers' Superannuation Scheme 2020-2021 financial statements, I am required to confirm whether, in all material respects, the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them. On the basis of my findings above, I concluded that net resource outturn of £667,122,000 was in excess of the £659,915,000 authorised by the Assembly resulting in an excess of £7,207,000, and that it was therefore irregular. My regularity audit opinion has been qualified in this respect.

B. DELAYS TO PRODUCTION OF ANNUAL REPORT AND ACCOUNTS

1. The Department has also experienced significant delays in producing its Annual Report and Accounts for the Teachers' Pension Scheme (NITPS) for the 2020-21 financial year. These difficulties have also impacted the 2021-22 accounts, which have not yet been produced. It is likely these delays will also impact the timely production of the 2022-23 accounts. These delays are primarily due to issues around the implementation of the new Teacher's Pension system and associated financial systems.

2. The Department has told me the critical system issues have now been resolved, and that progress is being made in addressing backlogs in producing both the 2021-22 and 2022-23 accounts. However, I have been advised that it will take several months to recover lost time and bring the accounts up to date. I am concerned that continued delays in production of these accounts could increase the risk of further excess votes and delays in seeking the required Assembly approval.

Conclusion

3. The production of timely accounts for the NI Assembly is an absolutely fundamental part of ensuring transparency and accountability in how public money is being spent, and so it is vital that the Department continues to put considerable effort into resolving these matters. I am concerned that the cause of the delays has been due to the implementation of a new system which should and could have been prevented. My Office will continue to monitor the progress made by the Department to ensure that accounts are completed in line with the relevant legislation.

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