The Assembly Members' Pension Scheme (Northern Ireland) 2008 Annual Report and Accounts

PERIOD 1 APRIL 2008 TO 31 MARCH 2009

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The Trustees' Report

Introduction

The Assembly Members' Pension Scheme (NI) 2008

The Assembly Members' Pension Scheme (AMPS) provides benefits for Members and qualifying Office Holders of the Northern Ireland Assembly. Contributions are paid by Members, qualifying Office Holders and the Northern Ireland Assembly into the Fund established under the Scheme, and the assets in the Fund are managed by an external Investment Manager. The contract for Investment Management services is held by M&G Investments Ltd. The Scheme is administered on a day to day basis, on behalf of the Trustees, by the Pensions Team of the Human Resources Office of the Northern Ireland Assembly's Resources Directorate. From 1 April 2006 the Trustees outsourced some routine administrative functions to the Scottish Public Pensions Agency (SPPA).

Both Members' and Office Holders' Schemes are operated on an "opt-out" basis, meaning that all Members, Ministers and Office Holders are members of the scheme from the date they become MLAs unless they make a specific option not to be.

On 30 June 2008, the Assembly resolved, under Section 48 of the Northern Ireland Act 1998, to confer upon the Assembly Commission the power to amend the pension scheme rules. On 1 July 2008 the Commission introduced the following changes to the scheme rules;

- Removal of the Earnings Cap from 6 April 2011
- Benefits retained in other pension schemes will not be counted when applying the limit on available pension
- Increased scope for Commutation
- Trivial Commutation for very small pensions
- Added Years Facility removed from 6 April 2011
- Introduction of Voluntary Early Retirement from age 55
- AVC's

The legislative background to the AMPS can be found at **Annex A**.

Aim of this Report

In order to comply with best practice in relation to reporting requirements the Trustees consider it appropriate to disclose actuarial and other accounting details to all members of the Fund, generally within seven months of the end of the accounting year (i.e. by 31 October each year).

The Trustees are pleased to present this report, which has been prepared in accordance with best practice and covers the period from 1 April 2008 to 31 March 2009. The purpose of the report is to describe how the Fund and its investments have been managed during the year.

How the Trustees of the Fund are Appointed

The Trustees are Members of the Northern Ireland Assembly, appointed by Resolution of the Assembly in accordance with the Schedule to the Assembly Members' Pension Determination 2000.

Part B, Section B2 of the Scheme rules states that the Assembly shall by resolution appoint not more than five members of the Assembly to be the Trustees of this Scheme.

A person appointed as a Trustee:

a) May resign from office by notice in writing to the Presiding Officer;

b) May be removed from office by a resolution of the Assembly;

c) Shall, without prejudice to sub-paragraph (b), cease to hold office on the expiry of six months from the date on which he ceases to be a member of the Assembly.

Upon restoration of the Assembly in May 2007, the following members were appointed as Trustees by resolution of the Assembly;

Current Trustees
Mr David McClarty MLA (Chairman)
Mr John Dallat MLA
Mr Trevor Lunn MLA
Mrs Michelle O'Neill MLA
Mr Jim Wells MLA

Trustees' Responsibilities

A statement of Trustees responsibilities is set out on page 17.

Information about the Trustees

- The Northern Ireland Assembly Members' Pension Fund shall be vested in and administered by the Trustees. The Trustees shall hold the assets comprised in the Fund upon trust in accordance with the provisions of the AMPS.
- The procedure of the Trustees shall be such as the Trustees may determine.
- The quorum for any meeting of the Trustees shall be three.
- The Trustees may act by a majority of those present at any meeting.
- The Trustees may employ such staff and obtain such professional advice and services as they think necessary in connection with the performance of their functions under this Scheme.
- The expenses of the Trustees in the exercise of their functions shall be defrayed out of the Fund.

Trustee Meetings

Three regular meetings and one extra-ordinary meeting were held during the period ending 31 March 2009.

Other Parties Appointed in Connection with the Fund as at 31 March 2009.

Responsibility	Name	Appointed By
Actuarial Advice	The Government Actuary	Part S1 (2) of the Assembly Members' Pension Scheme (NI) 2008
External Auditor of Annual Accounts	Comptroller and Auditor General	Schedule 1 of the Assembly Members' Pension Scheme (NI) 2008
Investment Management	M&G Investments Ltd	Trustees
AVC Provider	Clerical Medical	Trustees
Legal Advice	Assembly Legal Services	
	Eversheds LLP	Trustees
Pension Administration Service	Scottish Public Pensions Agency (SPPA)	Trustees

Any queries about pensions or requests for further information regarding the day-to-day administration of the Scheme should be sent to the Secretariat at the following address:

HR Pensions Team
Assembly Human Resources Office
Annexe C
Dundonald House
Stormont Estate
Belfast
BT4 3SF
Tel: 028 9052 5558
E-mail: pensions@niassembly.gov.uk
Fax: 028 9052 0871

Income of the Fund

The income of the Fund is derived from four main sources:

1. **Contributions**: from Members and Holders of Qualifying Office;
2. **Investments**: See the Investment Report;
3. **Transfers In**: Members who have pension benefits in the scheme of a former employer or in a personal pension plan may be able to transfer in the benefits to the Scheme;
4. **Consolidated Fund**: A Consolidated Fund contribution, calculated in accordance with the recommendations contained in the Actuary's report under article S2 (4b), shall be paid into the Fund out of money appropriated by Act of the Assembly for that purpose.

Members and Officeholders contribute 6 per cent of their salaries. This rate has been in effect since the commencement of the Scheme. Following a valuation of the scheme by the Government Actuaries Department in March 2005 the Exchequer Contribution was increased from 21.3 per cent to 22.6 per cent of Members and Office Holders salaries, effective from 1 April 2006.

Benefits Payable

The benefits payable were £323,013. There was one transfer out of the Scheme during the year. Pensions in payment were increased by 3.9 %.

The main provisions of the scheme are:

a. An immediate pension of one fiftieth of final salary for each year of service on retirement at age 65;

b. An immediate pension before retirement age subject to certain service restrictions;

c. An immediate pension on retirement at any time on the grounds of ill health;

d. An abated pension paid on retirement at any time on attainment of age 50 and completion of not less than 15 years' service;

e. An actuarially reduced pension paid to all former Members at any time after age 55;

f. A five eighths spouse's pension;

g. Children's pensions (at the rate of one quarter of the basic or prospective pension of the Member if there is one child or three eighths if there are two or more children OR if there is no surviving spouse at the rate of five-sixteenths of the basic or prospective pension of the Member for each eligible child not exceeding two);

h. A lump sum death gratuity on death in service equal to three times annual salary with provision for more than one nominee;

i. The purchase of added years;

j. Transfer of pension rights (into and out of the scheme);

k. The opportunity to contribute to an AVC scheme with an outside provider.

Additional Voluntary Contributions (AVCs)

During the 2008– 2009 financial year Clerical Medical continued to act as AVC provider for the scheme.

During the period of this report 5 members have taken advantage of the facility to pay additional voluntary contributions. 4 retired members are currently in receipt of AVC benefits.

Investment Details and Performance

The Trustees have decided to produce a "Statement of Investment Principles" in order to comply with best practice for Funded Schemes. The Statement covers items such as how investments are chosen, the balance between asset classes, the Trustees' attitude to risk and the expected return and review procedures. It has been designed to cover the fundamental aspects of investment policy that are not expected to differ greatly from one year to the next and has been drawn up in consultation with the Government Actuary.

The Trustees have delegated responsibility for the investment management of the Fund entirely to M&G Investments Ltd, who were appointed by the Trustees with effect from November 2007.

There was no Investment Income during the year.

The overall effect of the movements in pensions payable, income and investments was a decrease of £1,049,074 in the Net Assets of the Fund during the period.

Membership Statistics

The membership of the fund at 31 March 2009 was as follows:

Active Members	Number in Category
Members (at 1 April 2008)	108
Add New Entrants	0
Members Opting In	0
Less Retirements in the Period	0
Less Deferred Awards	0
Less Deaths in the Period	0
Less Refund of contributions	0
Total Active Members as at 31 March 2009	**108**

Deferred Members	Number in Category
Deferred Members (as at 1 April 2008)	37
Add New Deferred Members	0
Less Transfers Out	1
Less Deferred Awards Coming into Payment	6
Less Deaths in the Period	1
Total Deferred Members as at 31 March 2009	**29**

Pensions in Payment (Beneficiaries of the Fund)	Number in Category
Pensions in Payment 1 April 2008 – Members	21
Pensions in Payment 1 April 2008 - Dependants	6
Add Members Retiring in the Period	6
Less Deaths in the Period	0
Add New Dependants	1
Pensions in Payment as at 31 March 2009	**34**

The benefits payable during the year amounted to £323,013. Former member Mr James Leslie died during the period of the report. Pensions in payment were increased by 3.9%.

Preparation and Audit of Annual Accounts

Summary of Financial Information

Total Fund at 1 April 2008	**£ 10,214,247**	
What Went Into the Fund	**2008 – 2009**	**2007 - 2008**
Consolidated Fund Contributions	£1,160,724	£ 1,116,759
Contributions from Members/Office Holders	£308,160	£ 296,488
Transfers in from other schemes	£NIL	£ 16,456
Additional Voluntary Contributions	£24,702	£ 10,738
Investment Income	£NIL	£ NIL
Change in Market Value of Investments	£(2,010,456)	£ (48,519)
Total	**£(516,870)**	**£1,391,922**

What Went Out of the Fund		
Benefits Payable	£323,013	£ 310,907
Transfers out of the Scheme	£100,024	£ 205,014
Administrative Expenses	£6,391	£ 6,157
Advisory Fees	£13,536	£ 7,362
Actuarial Expenses	£48,383	£ 38,776
Investment Management Expenses	£38,339	£ 44,570
Interest Payable	£NIL	£ NIL
Miscellaneous	£2,518	£ 4,196
Total	**£ 532,204**	**£ 616,982**

Total Fund at 31 March 2009	**£ 9,165,173**	

The summary above is not the financial statements but a summary of information relating to both the Fund Account and the Net Assets Statement.

The Report for the period ended 31 March 2009 including the attached Investment Report and Compliance statement is approved on behalf of all the Trustees by:

David McClarty MLA
Chairman of Trustees

Report of the Actuary

The Assembly Members' Pension Scheme (Northern Ireland) 2008 Accounting Year ended 31 March 2009

A. **Status of Assembly**

The Assembly Members' Pension Scheme (NI) 2008 (AMPS) provides benefits for Members and Office Holders of the NI Assembly. The Assembly has been suspended from its normal operations on three occasions. During these periods of suspension, members of the Assembly continued to accrue benefits under the pension scheme. These benefits were based on the level of salary applicable before suspension, rather than the reduced salary actually payable to members during the year. The Assembly was restored to a more normal status with effect from 26 March 2007 (although full powers were not completely restored until 8 May 2007). Thus, during the 08/09 accounting year, benefits accrued on normal salary.

B. **Data**

At the end of the accounting year 31 March 2009 there were 108 members accruing benefits under the Assembly Members' Pension Scheme (NI) 2008, including 53 Office Holders. Pensionable payroll for the financial year 2008/2009 was approximately £5.9 million. There were 34 pensions in payment (including six pensions payable to dependants and six children's pension) and 29 deferred pensioners as at 31 March 2009.

C. **Results**

The capitalised value as at 31 March 2009 of expected future payments under the AMPS (NI) 2008, for benefits accrued in respect of employment prior to 31 March 2009, has been assessed using the methodology and assumptions set out in Sections E and F below. The results are as follows:

Value of Liabilities	**£ Million**
Pensions in Payment	2.8
Deferred Pensions	1.9
Active Members (Past Service)	7.9
Total	**12.6**
Market Value of Assets	**9.0**
Shortfall of Assets to Liabilities	**(3.6)**
Funding Level	**71.4%**

D. **Accruing Costs**

The cost of benefits accruing for each year of service is met partly by a specified contribution from members (6% of pay), with the Consolidated Fund meeting the balance of the cost of the benefits. The total cost of benefits accruing in the year 2008/2009 has been assessed using the methodology and assumptions set out in Sections E and F below. The costs, expressed as a % of pensionable pay available for accruing benefits are as follows:

	% of Pensionable Pay
Standard Contribution Rate (excluding expenses)	28.9%
Members' Contribution Rate	6.0%
Employer's share of standard cost	22.9%

In addition, a further ½% would be required to cover the expense of running the Scheme.

The actual contribution rate paid by the employer during 2008/09 was 19% of pensionable salary, plus a further ½% to cover the expense of running the Scheme. This rate is lower than the cost of the accruing benefits shown above because the employer's contributions are assessed by reference to the long term view of real investment yields, whereas the accruing annual cost disclosed for accounts purposes is based on current market yields on corporate bonds. At the start of the 2008/09 accounts year, the current market yield was lower than the expected long term real yield (viz 3.1% as against 3.5%), and this results in a higher contribution rate being disclosed in the Scheme's accounts. (It is noteworthy that the reverse position applied at the end of the year, viz 3.8% as against 3.5%).

In addition to meeting the balance of the ongoing cost of accruing benefits, the employer agreed to pay an additional 3.1% of payroll to amortize the deficit disclosed at the 2005 valuation. In relation to the payroll for the financial year, the Consolidated Fund contribution receivable in cash terms was £0.18 million for the financial year 2008/2009.

Following the formal actuarial valuation as at 31 March 2008, the recommended employer contribution rate became 19.9% plus a further ½% to cover the expense of running the Scheme. The employer agreed to pay a further 2.9% of payroll, with effect from April 2009, to amortize the deficit disclosed at the 2008 valuation.

E. Methodology

The value of the liabilities has been obtained using the projected unit method, with allowance for expected future pay increases in respect of active members. The standard contribution rate for accruing costs has been determined using the projected unit method.

F. Assumptions

The principal financial assumptions adopted for the pension assessments made in relation to this statement are in accordance with the FReM for funded pension schemes in the public sector in Great Britain (akin to FRS 17). At 31 March 2008, the discount rate in excess of price increases was prescribed as 3.1% p.a. However, with effect from 31 March 2009, the discount rate for pension liabilities has increased to 3.8% p.a. reflecting the rise in real yields experienced in the bond markets. The demographic assumptions adopted for the assessments are derived from other similar public service pension schemes, but adapted to take account of the specific characteristics of this scheme.

G. **Notes**

(1) Sections C and D of this Statement are based on valuation data provided as at 31 March 2009. Assumptions have been adopted from the actuarial valuation carried out as at 31 March 2008, with an update in mortality assumptions to reflect mortality improvements.

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

D G Ballantine **13 May 2009**

Government Actuary's Department

The Compliance Statement

Benefits

All pensions paid in the year were authorised under the appropriate Act and thus made in accordance with the regulations of the Fund.

Tax Status of the Fund

The Northern Ireland Assembly Members' Pension Fund is a statutory pension scheme within the meaning of Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988 and is an 'approved scheme' for the purposes of accepting transfer values.

Funding Standard

The Northern Ireland Assembly Members' Pension Scheme is not subject to the Minimum Funding Requirement of the Pensions Act 1995. Accordingly, it is not appropriate for the "MFR" actuarial statement, which is set out in regulations and used by schemes that are subject to MFR provisions, to be adopted for the Northern Ireland Scheme.

Nevertheless, the Trustees have asked the Government Actuary to provide periodical reassurances that this level of funding would be met.

Investments

All investments are in holdings that are permitted by the regulations of the Fund. Although the Trustees cannot direct the investment strategy of the Fund in which the Assembly Members' Pension Scheme (NI) 2008 invests, nevertheless, it will consider Socially Responsible Investment policy issues when comparing two providers who are otherwise of equal preference.

Northern Ireland Assembly Members Pension Scheme

Investment Managers Report for the Year Ending 31 March 2009

Introduction

The Scheme invests in pooled pensions fund units provided by Prudential Pensions Limited (PPL), a wholly owned subsidiary within Prudential plc. The units held by the pension fund are part of an agreement between the Trustees and Prudential Pensions Limited, which is in the form of an Insurance Policy. The policy itself is the 'asset' that the Trustees own, and the units within the funds provide an easy method of valuation of the policy. These units can be bought and sold on a daily basis and the underlying assets are invested in marketable securities. Total discretion for the day-to-day management of the assets has been delegated to M&G Investment Management Limited, the fund management company owned by Prudential.

M&G invests the assets of the Scheme to a strategic benchmark set by the scheme trustees. The benchmarks and ranges are as follows:

Fund	Benchmark(%)	Range(%)
Specialist UK Equity	40.0	30.0 – 50.0
North America Passive	10.0	5.0 – 15.0
Europe Passive	14.0	7.0 – 21.0
Japan Passive	6.0	3.0 – 9.0
Pacific Basin Passive	8.0	4.0 – 12.0
Emerging Markets	2.0	1.0 – 3.0
Long Dated Corporate Bond	10.0	5.0 – 15.0
Long Term Gilt	10.0	5.0 – 15.0

Performance

Investment returns as at the year end for this Fund are shown in the table below.

Fund	**Performance to 31.03.09 (Annualised) %**		
Benchmark	**Quarter**	**1 year**	**3 years**
Specialist UK Equity Fund	-7.6	-25.9	-6.7
FTSE All-Share Index	*-9.1*	*-29.3*	*-10.2*
North America Passive Fund	-9.9	-14.9	-7.1
FTSE W North America Index	*-9.8*	*-14.0*	*-6.7*
Europe Passive Fund	-16.1	-30.7	-7.4
FTSE W Europe Index	*-16.0*	*-31.1*	*-7.3*
Japan Passive Fund	-16.3	-9.9	-11.8
FTSE Japan Index	*-16.1*	*-10.7*	*-12.0*
Pacific Basin Passive Fund	0.2	-22.1	-1.5
FTSE W Pacific Basin Index	*0.0*	*-23.1*	*-1.4*
Emerging Markets Fund	3.1	-21.2	1.4
Composite Benchmark	*6.7*	*-20.5*	*2.8*
Long Dated Corporate Bond Fund	-3.4	-0.3	-1.1
Composite Benchmark	*-4.0*	*-4.2*	*-3.1*
Long Term Gilt Fund	-4.5	8.8	4.1
FTSE A British Govt. Over 15 Years Gilt Index	*-4.5*	*8.6*	*4.1*
Northern Ireland Assembly Members Pension Scheme	-18.6	n/a	n/a
Composite Benchmark	-20.2	n/a	n/a

Review of Investment Markets

Equity markets recorded their worst returns in many years over the 12 months to the end of March 2009. Fears escalated that the impact of the credit crisis would send the global economy into a severe recession and investors became increasing risk averse. For a UK investor, the return on FTSE World Index over the last 12 months was -20.0%. Meanwhile, government bonds benefited from their safe haven status, with the FT UK Government All Stocks Index rising by 10.3% in sterling terms.

The main developments of the last year were:

- The credit crunch intensified and confidence in the financial system took a severe beating as banks announced massive write-downs, resulting in a tightening in borrowing conditions as they became reluctant to lend to one another. Governments on both sides of the Atlantic had to step in to support key financial institutions: both Bradford & Bingley in the UK and US mortgage giants Fannie Mae and Freddie Mac were nationalised, while UK banks Lloyds TSB, RBS and HBOS were partly nationalised.
- For some, government support was not forthcoming: in the US, Lehman Brothers, one of the largest investment banks, went into administration sending shockwaves around financial markets, while Merrill Lynch was sold to Bank of America: in the UK, Lloyds TSB rescued HBOS.
- As the financial crisis spread to other areas of the global economy, growth, which had already been slowing, turned negative: manufacturing and service activity plunged, surveys of business and consumer confidence plummeted, retail sales slumped and unemployment rose sharply. Many economists predicted that the world was facing the most severe recession since the Great Depression of the 1930s.
- In response, central banks around the world cut interest rates sharply and many resorted to quantitative easing measures to try to stimulate growth. In both the UK and US, the Bank of England and Federal Reserve took the unprecedented steps of reducing interest rates to virtually zero. In contrast, the European Central Bank was more cautious, but still cut interest rates by 2.5% to 1.5%.
- Governments announced massive fiscal stimuli, aimed at promoting growth. The cost of this action, together with the financial sector bail-outs, significantly increased the level of government debt, especially in the UK, US and peripheral European economies.
- Towards the very end of the 12 months under review, there were tentative signs that these policies may be working as some indicators of economic activity appeared to show that the pace of decline was moderating.
- Commodity prices, which had soared to record highs by the summer of 2008, fell sharply on expectations that demand would be reduced by the global recession. In dollar terms, oil prices fell 52% over the 12 months, while the wider Commodity Research Bureau Index registered a fall of 29%.
- As a result, inflationary pressures eased considerably and headline inflation went negative for the first time in over 50 years in the US and UK, while Japan returned to the deflationary environment it had experienced during the 1990s.
- Against this background, global corporate earnings fell substantially and profit warnings abounded: household names, such as Woolworths and MFI in the UK, went into administration. Amid the worst economic outlook since the Great Depression, stockmarkets recorded their largest annual declines in many years.
- The FTSE All-Share Index fell 29.3% over the 12 months, held back by its significant exposure to banking stocks, which fell to their lowest levels in over a decade, and to oil companies and miners, which were affected by the collapse in oil and metal prices. One notable feature was that large companies returned to favour over their smaller counterparts as they were seen to be able to better weather the challenging economic environment.
- Elsewhere, most equity markets performed as badly as the UK, if not worse. However, for a UK investor, the performance of overseas stockmarkets was helped by a significant depreciation in the value of sterling against the major currencies. This boosted the returns from the US, European and Japanese equity markets by 28%, 14% and 28% respectively.
- Government bonds were the main beneficiaries of the stockmarket turmoil as significant cuts in short-term interest rates coupled with government buy-back programmes helped to offset concerns

over ballooning budget deficits. The FT UK Government All-Stocks Index rose by 10.3% over the period while returns from overseas government bonds were even stronger, boosted by sterling's weakness over the year.

- The returns from UK index-linked bonds disappointed compared to conventional UK government bonds. The FT UK Government Over 5 Years Index-Linked Index fell by 2.8% over the 12 months to the end of March 2009 as the prospect of deflation reduced the attractiveness of index-linked assets.
- Corporate bonds underperformed government bonds too, recording negative returns as investors became increasingly risk averse, believing company default rates would rise to levels last seen during the Great Depression.
- The UK commercial property was one of the major casualties from the impact of the financial crisis, being hit by both tighter borrowing and a slump in demand as confidence ebbed away. Yields rose dramatically and the return on the CAPS Pooled Property Fund median fell by 22.8% to the 12 months to the end of March 2009.

Market Returns

(to 31/03/09)	Market Performance (Annualised) %		
Equity Indices (sterling terms)	**1 year**	**3 years**	**5 years**
FTSE W World	-20.0	-7.0	2.7
FTSE All-Share	-29.3	-10.2	1.4
FTSE W Europe (ex-UK)	-31.1	-7.3	5.2
FTSE W North America	-14.0	-6.7	1.1
FTSE Japan	-10.6	-12.0	-0.7
FTSE AW Pac. Basin (ex-Japan)	-22.6	0.2	9.8
Bond Indices (sterling terms)			
Salomon World Govt. Bond (ex-UK)	35.0	0.0	10.2
Brit. Govt. All Stocks	10.3	6.1	6.1
Brit. Govt. All Stocks Index-Linked	-1.3	4.8	5.6
iBoxx Sterling Non-Gilts	-6.2	-1.9	1.6

Source: Datastream

Investment Distribution

The following table provides a breakdown of the scheme assets at the beginning and end of the period.

Asset Distribution (By Fund)	31/03/09 %	31/03/08 %
Specialist UK Equity	41.9	39.7
North America	9.6	9.7
Europe	13.4	14.5
Japan	5.4	6.1
Pacific Basin	8.5	8.0
Emerging Markets	2.1	2.0
Long Dated Corporate Bond	12.7	9.9

Asset Distribution (By Fund)	31/03/09 %	31/03/08 %
Long Term Gilt	6.4	10.1
Total	**100**	**100**

Source: M&G

Investment Policy (Specialist UK Equity Fund)

- Throughout the 12 months under review, the fund manager aimed to keep the portfolio diversified by investing in companies of different sizes, as well as by the stage that each holding was at in the recovery cycle. This ensured that the Fund was not limited to certain areas of the market.
- Anglo-Irish oil exploration company Tullow Oil represented the Fund's largest overweight position during the period. The company, underpinned by strong cashflow, announced the sale of its North Sea gas development, which freed up money for investment in attractive exploration projects.
- Other preferred holdings during the 12 months included Anglo-Russian oil exploration group Sibir Energy and catering firm Compass, where a new management team was working hard to improve the business through the sale of underperforming divisions and the reduction of its geographical exposure.
- During the second and third quarters of 2008, following an extended period of weak performance from FTSE 100 companies, the Fund increased its exposure to well-established blue-chip names, such as Vodafone, GlaxoSmithKline and Unilever. In the fund manager's view, these companies were attractively valued and provided the Fund with some protection in the uncertain environment.
- Towards the end of 2008, the Fund's exposure to Irish logistics group DCC was increased. The fund manager believed that investors were overlooking the company's attractive oil & gas business, which was well placed to gain from the growing trend among energy firms to outsource their distribution operations to businesses like DCC.
- In early 2009, a position was established in medical equipment group Smith & Nephew. The company was present in a number of fast growing markets, including orthopaedics and hip replacements, and was therefore ideally placed to benefit from ageing demographics.
- The Fund remained cautious on the outlook for banks and held a below-benchmark exposure to this sector over the year.

Statement of Trustees' Responsibilities

The Assembly Members' Pension Scheme (NI) 2008 requires the Trustees of the Assembly Members' Pension Scheme to prepare accounts in such a form and in such a manner as the Comptroller and Auditor General may direct.

The financial statements for the year ended 31 March 2009 were prepared on an accruals basis to give a true and fair view of the financial transactions of the Fund during the year then ended, and of the disposition at 31 March 2009 of its assets and liabilities, other than liabilities to pay benefits after the end of the Fund period.

In preparing those financial statements, the Trustees were required to:

- Observe the accounts direction issued by the Comptroller and Auditor General, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates that were reasonable and prudent;
- State whether applicable accounting standards were followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis, on the presumption that the Assembly Members' Pension Scheme (Northern Ireland) 2008 will continue in operation.

The Trustees are responsible for the keeping of proper accounting records, for ensuring that proper financial procedures are followed and for ensuring that the accounting records are capable of producing statements which comply with the requirements of the Assembly Members' Pension Scheme Rules.

The Trustees are also responsible for the regularity and propriety of public finances provided by the Exchequer Contribution, for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement on Internal Control

Scope of Responsibility

We acknowledge our responsibility as Trustees for maintaining a sound system of internal control to safeguard the public funds and assets connected with the Assembly Members' Pension Scheme (NI) 2008 (AMPS (NI) 2008).

The AMPS (NI) 2008 is a statutory scheme and operates within a legislative framework. Secretariat staff from the Pensions Team of the Human Resources Office of the Northern Ireland Assembly's Resources Directorate provide secretarial and administrative services to the Trustees. In April 2006 some of the routine administrative function was outsourced to the Scottish Public Pensions Agency (SPPA).

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the AMPS (NI) 2008 aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. It is based on a framework of regular management information, financial regulations, administrative procedures including the segregation of duties, and a system of delegation and accountability. This system of internal control has been in place in AMPS (NI) 2008 for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Scheme's day-to-day administration and accounting responsibility is administered on behalf of the Trustees by the executive managers within the Pensions Team of the Human Resources Office of the Northern Ireland Assembly's Resources Directorate, who have responsibility for the development and maintenance of the control framework.

The Risk and Control Framework

During the period of this report the risk register for the Scheme was reviewed, updated and agreed with the Trustees. Each risk has been evaluated to assess potential impact, likelihood etc. and the controls currently in place to manage each identified risk. The resulting register was used to identify any additional measures considered necessary to effectively manage the risks. The following are examples of the risks that have been identified and the measures put in place to minimise their impact:

- Investment: The pension fund is invested in line with the Statement of Investment Principles and responsibility has been delegated to the investment managers, M&G Investments Ltd and administrative staff;
- Pension Scheme Records: Accurate records have been maintained of past and present members, transactions into and out of the Scheme and of Trustees meetings;
- Pension Trustee Meetings are held regularly to monitor the steps taken by the administrative staff to manage risks in their areas of responsibility;

- Members: It is ensured that the Trustees appointed meet the member-nominated Trustee requirements. There is a procedure in place to resolve disputes about the Scheme with members. Information is provided to scheme members;
- Registration and Collecting the Levy: The Registrar of Pensions is provided with information required by law and informed of any changes to Scheme information.

Review of effectiveness

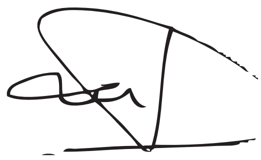
The Northern Ireland Assembly is subject to review by Internal Audit units, which operate to standards defined in the Government Internal Audit Manual. The work of the Internal Audit units is informed by an analysis of the risk to which the Northern Ireland Assembly is exposed and annual Internal Audit plans are based on this analysis.

Our review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the senior managers within the Northern Ireland Assembly who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

An Internal Audit review of the Pension Scheme was carried out in February 2009 and Audit concluded that the controls established by management are adequate to ensure that business objectives can be met. A satisfactory level of assurance has been awarded.

Approved on behalf of the Trustees on 15 September 2009 by:

David McClarty MLA
Chairman of the Trustees



Trevor Lunn MLA
Trustee

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

I certify that I have audited the financial statements of the Assembly Members' Pension Scheme (Northern Ireland) 2008 for the year ended 31 March 2009 under the Assembly Members' Pension Determination 2000. These comprise the Fund Account, the Net Assets Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Trustees and auditor

The Trustees are responsible for the preparation of the Annual Report and the financial statements in accordance with the Assembly Members' Pensions Determination 2000 and the Comptroller and Auditor General's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Trustees' Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Comptroller and Auditor General's directions issued under the Assembly Members' Pensions Determination 2000. I also report 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. I report whether the contributions payable to the scheme have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

In addition, I report to you if the Fund has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding transactions is not disclosed.

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

I read the other information contained in the Annual Report, which consists of The Trustees' Report, The Compliance Statement, The Investment Report and Annex A – Legislative Background to the Assembly Members Pension Scheme (NI) 2008, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the scheme's circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Assembly Members' Pensions Determination 2000 and the Comptroller and Auditor General's directions made thereunder, of the state of the Scheme's affairs as at 31 March 2009, the net returns on investments and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay benefits after the year end of the Fund year;
- the financial statements have been properly prepared in accordance with the Comptroller and Auditor General's directions issued under the Assembly Members' Pensions Determination 2000.

Audit Opinion on Regularity

In my opinion, 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.

The contributions payable to the scheme during the year ended 31 March 2009 have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

Report

I have no observations to make on these financial statements.

Kieran J Donnelly

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

September 2009

Fund Account for the year to 31 March 2009

	Note	2008-09	2007-08
Contributions and Benefits			
Contributions receivable	3	**1,493,586**	**1,423,985**
Individual transfers in from other schemes		**0**	**16,456**
		1,493,586	**1,440,441**
Individual Transfers paid to other schemes		**(100,024)**	**(205,014)**
Benefits payable	4	**(323,013)**	**(310,907)**
Other Payments	5	**(2,518)**	**(4,196)**
Administrative expenses	6	**(68,310)**	**(52,295)**
		(493,865)	**(572,412)**
Net additions from dealings with members		**999,721**	**868,029**
Returns on Investments			
Change in market value of investments	7	**(2,010,456)**	**(48,519)**
Investment management expenses	9	**(38,339)**	**(44,570)**
Net returns on Investments		**(2,048,795)**	**(93,089)**
Net Increase/(decrease) in the Fund During the period		**(1,049,074)**	**774,940**
Net Assets of the Fund at 1 April		**10,214,247**	**9,439,307**
At 31 March		**9,165,173**	**10,214,247**

The notes on pages 23 to 25 form part of these accounts.

Net Assets Statement as at 31 March 2009

	Note	2009 £	2008 £
Investments			
Managed Fund	7	**8,951,608**	**9,963,461**
AVC Investment	7	**123,172**	**132,255**
Net current assets /(liabilities)	10	**90,393**	**118,531**
Net Assets of the Fund as at 31 March		**9,165,173**	**10,214,247**

The notes on pages 23 to 25 form part of these accounts.

These financial statements were approved on behalf of the Trustees

On 15 September 2009 by:

David McClarty MLA
Chairman of the Trustees

Trevor Lunn MLA
Trustee

Notes to the Financial Statements

Basis of preparation

1 The accounts meet the accounting and disclosure requirements of the Statement of Recommended Practice (SORP) (revised November 2002) Financial Reports of Pension Schemes issued in July 1996, as far as appropriate.

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Government Actuary's valuation report on the position of the Fund as at 31 March 2009 and these financial statements should be read in conjunction with that report.

Accounting policies

2 The principal accounting policies are:

- Normal pension contributions are accounted for on an accruals basis;
- Pension benefits are accounted for on an accruals basis;
- Transfer values from and to other pension schemes represent the amounts received and paid during the year for members who either joined or left the Fund; and
- All other expenditure is accounted for in the period to which it relates.

3. **Contributions Receivable**

	2008-09 £	2007-08 £
Exchequer contributions:		
Normal	**1,160,724**	**1,116,759**
Members' contributions:		
Normal	**308,160**	**296,488**
Additional Voluntary contributions (AVCs)	**24,702**	**10,738**
	1,493,586	**1,423,985**

Exchequer contributions are paid out of money appropriated by Act of the Assembly.

4 . **Benefits payable**

	2008-09 £	2007-08 £
Pensions	169,131	142,193
AVC Benefits	0	25,189
Lump sum payable on retirement	153,882	18,601
Lump sum payable at age 75	-	-
Lump sum payable on death	-	124,924
	323,013	**310,907**

5. Other payments

	2008-09 £	2007-08 £
Miscellaneous	**2,518**	**4,196**
	2,518	**4,196**

6. Administrative expenses

	2008-09 £	2007-08 £
Actuarial fees	**48,383**	**38,776**
Administration Costs	**6,391**	**6,157**
Advisory Fees	**13,536**	**7,362**
	68,310	**52,295**

The HR Pensions Team of the Northern Ireland Assembly's Human Resources Office provides administration support to the pension scheme and these costs are borne by the Northern Ireland Assembly. Since April 2006 the Scottish Public Pensions Agency has provided additional administration support.

7. Investments

	Value at 31 March 2008 £	Transfers	Purchases at cost £	Sales £	Change in Market Value £	Management Charges £	Value at 31 March 2009 £
BG Managed Fund	**9,534,721**	(9,534,721)	-	-	-	-	-
M&G Investments	**428,740**	9,534,721	1,104,481	(100,024)	(1,977,971)	(38,339)	**8,951,608**
AVC Investments	**132,255**		23,402	-	(32,485)	-	**123,172**
	10,095,716	0	1,127,883	(100,024)	(2,010,456)	(38,339)	**9,074,780**

As a result of an open tender competition, the contract for Investment Management services transferred from Baillie Gifford Managed Fund to M&G Investments. With effect from 1st April 2008, the portfolio of funds managed by Baillie Gifford, valued at £9,534,721, formally transferred to M&G Investments.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held any time during the year, including profits and losses realised on sales of investments during the year.

8. Additional Voluntary Contributions (AVCs)

The Trustees are responsible for administering an AVC scheme whereby participants in the Assembly Members' Pension Scheme may make contributions to secure additional benefits to those provided by the Pension Scheme. At 31 March 2009 these contributions were invested separately from the Pension Fund, in a variety of Investment Funds, with an outside provider Clerical Medical. These investments secure additional benefits on a money purchase basis for those members electing to pay AVCs. Members participating in this arrangement will receive an annual statement confirming the amounts held to their account and the movements in the year.

9. Investment Management Expenses

The management fee paid to M&G Investments Ltd was £38,339. The management fee is a percentage rate fee based on the value of the portfolio and is deducted on a monthly basis within the price of units held by the Members' Pension Scheme.

10. Net Current Assets / (Liabilities)

Current assets	2008-09 £	2007-08 £
Contributions and benefits:		
Contributions due	**125,020**	**122,021**
Balance at bank	**-**	**392**
Prepayments	**-**	**-**
	125,020	**122,413**
Current liabilities		
Administrative expenses:		
Pension Arrears due	(535)	-
Balance at Bank	(10,302)	-
Other Advisory Fees	(6,652)	-
Actuarial fees	(13,934)	(1,180)
Other Expenses	(3,204)	(2,702)
	(34,627)	**(3,882)**
Net current assets	**90,393**	**118,531**

11. Related party transactions

None of the Trustees, key management staff or any other related party has undertaken any material transactions with the Fund during the year.

Annex A

Legislative Background to the AMPS

General

The Assembly Members Pension Scheme (Northern Ireland) 2000 (AMPS (NI) 2000) was set up from 13 May 2000 under the Assembly Members' Pensions Determination 2000, made by the Secretary of State under section 48 of the Northern Ireland Act 1998, by virtue of paragraph 9 of the Schedule of the Northern Ireland Act 2000. The scheme provides benefits for Members and qualifying office-holders of the Northern Ireland Assembly.

On 30 June 2008, under section 48 of the Northern Ireland Act 1998, the Assembly resolved to confer upon the Assembly Commission the power to amend the pension scheme. On 1 July the Commission amended the rules of the scheme and directed that the revised scheme be called The Assembly Members' Pension Scheme (NI) 2008.

Preparation of Annual Accounts

Paragraph 5 of Schedule 1 of the Assembly Members Pension Scheme (NI) 2008 requires that annual accounts are prepared in accordance with a direction given by the Comptroller and Auditor General. The accounts have been prepared, as far as appropriate, in accordance with the Statement of Recommended Practice (SORP) Financial Reports of Pension Schemes, issued in July 1996 (revised November 2002), in order to conform to best practice reporting requirements. A statement of the Trustees' responsibilities with regard to the preparation of the accounts is on Page 17.

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