NILGOSC
NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS'
SUPERANNUATION COMMITTEE

ANNUAL REPORT 2018/2019

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS'
SUPERANNUATION COMMITTEE

If you have any views and comments on this report, or any questions on any of the services provided, please contact us in writing; by telephone; fax; email; or by visiting our office in person as follows:

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ANNUAL REPORT
2018/2019

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS'
SUPERANNUATION COMMITTEE

NILGOSC Annual Report and Accounts
For the Year Ended 31 March 2019

Laid before the Northern Ireland Assembly under Regulation 63(8) of the
Local Government Pension Scheme Regulations (Northern Ireland) 2014
by the Department for Communities
on

10 September 2019

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FOREWORD

Statutory Background

The Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) is a non-departmental public body sponsored by the Department for Communities, established on 1 April 1950 by the Local Government (Superannuation) Act 1950, to administer and maintain a fund providing pension benefits for employees of local authorities and other admitted bodies.

In accordance with Regulation 63(2) of the Local Government Pension Scheme Regulations (Northern Ireland) 2014, as amended, the Secretary of the Committee submits its annual report for the year ended 31 March 2019 to the Department for Communities.

The Committee

The Committee is the corporate body responsible for the administration of the Local Government Pension Scheme in Northern Ireland.

Committee's Responsibilities

The Committee is required under the Local Government Pension Scheme Regulations (Northern Ireland) 2014, as amended, to:

- keep accounts of all financial transactions of the Fund; and
- prepare the financial statements for the financial year ended 31st March.

The financial statements shall comprise:

a) a Foreword;
b) a Statement of the Committee's Responsibilities;
c) an Accounting Officer's Governance Statement;
d) a Fund Account;
e) a Net Assets Statement;
f) a Statement of Cash Flows; and
g) Notes to the Financial Statements;

and shall be prepared in accordance with guidance for the time being issued by the Department of Finance.

The financial statements shall give a true and fair view of the Fund Account for the financial year, and a Net Assets Statement as at the end of the financial year.

Audit

The Local Government Pension Scheme Regulations (Northern Ireland) 2014 provide for the accounts kept by the Committee to be audited annually by the Local Government Auditor. Her staff are wholly independent of NILGOSC and the audit fee is disclosed in Note 7 to the Financial Statements. With the exception of services provided as part of the 2018/19 biennial National Fraud Initiative exercise (£9,965), the auditor did not perform any non-audit work this year.

Disclosure of Relevant Audit Information

There is no relevant audit information of which the auditor is unaware; and the Accounting Officer has taken all the necessary steps to ensure both he and the auditors are aware of all relevant audit information.

Important Events Occurring After the Year End

There have been no significant events since 31 March 2019.

Payment to Creditors

In November 2008, under the Prompt Payment Initiative, former Prime Minister Gordon Brown announced that all Government Bodies would pay all external suppliers who provided a correctly rendered invoice to the correct location within 10 working days. Also in 2008, the Finance Minister announced that Northern Ireland Departments had set a target of payment of invoices within 10 working days, in order to help local businesses.

NILGOSC endeavours to meet the 10 day prompt payment target and aims to pay suppliers within 10 working days of receipt of a valid, undisputed invoice. Therefore, the default target for paying invoices is 10 working days. During the year ended 31 March 2019 NILGOSC paid 1,176 invoices totalling £15.699m on 10 day terms, of which 81 undisputed invoices were late. 97% of invoices were paid within 30 calendar days and no late payment interest was payable during the year. The average time to pay invoices during the year was 8 working days (2017/18: 9 working days).

PERFORMANCE REPORT

OVERVIEW

(I) INTRODUCTION

This section is intended to provide an overview of NILGOSC and how it has performed over the last twelve months. It also provides a summary of its main corporate objectives and activities, as well as the key issues and risks that could prevent it from meeting those objectives. The section begins with a Statement from the Chief Executive which provides his perspective on NILGOSC's key activities and achievements during the year ended 31 March 2019. It concludes with highlights of NILGOSC's performance from both a Scheme Administration and Investment perspective.

(II) STATEMENT FROM CHIEF EXECUTIVE

David Murphy
Chief Executive and Secretary

There were many achievements during the year, both from an investment and administration perspective, but my personal highlight was seeing NILGOSC pick up the Local Authority Pension Fund Scheme Administration Award in September 2018. This is a hotly contested award across the LGPS sector and is designed to recognise excellence in scheme administration.

This statement is my perspective on the performance and achievements of the organisation during the year ended 31 March 2019.

Investment Performance

After two years of steady growth in asset values, 2018 proved more of a challenge for investors, particularly towards the end of the year. Decelerating global growth, reduced monetary stimulus, escalating trade wars in the US and increasing political uncertainty all impacted on asset values and returns. On an annual basis, it was a volatile period for equity and fixed income investors although both markets did produce positive returns. Other assets, such as property and infrastructure showed steady returns although UK property capital values declined in the latter half of the year.

The NILGOSC Fund grew by £491m during 2018/19 and ended the year on a new record high of £8.040bn. Investment for pension funds requires a long-term strategy and therefore NILGOSC has set its performance objective over a 3 and 5 year horizon. At 31 March 2019, NILGOSC had outperformed its investment target of Consumer Price Index (CPI)+3.5% on a 3 and 5 year basis with returns of 4.5% and 3.4% respectively.

A key achievement during 2018/19 was the completion of the second phase of the transition to the new strategic asset allocation set in December 2017. Given the scale of the changes, which will see exposure to equities reduce from over two-thirds of the fund to just over a third, the transition is being staggered over a period of 18-24 months. This is to allow for a managed entry to and exit from financial markets. The search for suitable specialist fixed income managers to manage the new Multi Asset Credit and Absolute Return Bond mandates began in April 2018 and culminated with the transfer of £2.2bn in March 2019, split equally between four new mandates managed by BlueBay, PIMCO, Royal London and T Rowe Price. The funding for these mandates came from the termination of existing equity and fixed income mandates managed by Baillie Gifford and Wellington, alongside a reduction in passive equities managed by Legal & General. Preparation for phase three of the transition commenced in March 2019 and involves the search for a suitable global property manager to manage 3% of the overall Fund. The search for the final phase of the transition, to appoint an emerging equity manager, is also scheduled to commence during 2019/20.

Further details on NILGOSC's investment strategy and fund objective are set out in the Performance Analysis Investment of the Fund section of this annual report starting on page 33.

Although NILGOSC has appointed a number of managers to make investment decisions on its behalf, it has a robust policy on holding those managers to account over the management of their respective funds. Managers are assessed against a range of quantitative and qualitative performance criteria to help ensure they deliver on what they were appointed to do. In addition to the more traditional portfolios managed by external investment managers, NILGOSC also invests in a range of property and infrastructure funds, commitments to which continued to be drawn down and invested during the last twelve months.

Collaboration is one of NILGOSC's six strategic themes and during 2018/19 NILGOSC continued to work together with other UK LGPS Funds on infrastructure investments to help achieve the mutual benefits of scale investing, including improved commercial terms, reduced costs and shared advisory costs. NILGOSC has 6 such infrastructure co- investments as at 31 March 2019 and will continue to share knowledge and ideas among its LGPS peers as appropriate opportunities arise.

Alongside the primary investment focus on delivering stable and positive financial returns, NILGOSC continues to take its responsibilities as a global investor seriously and took part in a number of collaborative initiatives during 2018/19. Details of these initiatives, together with information on the full range of NILGOSC's responsible investment activities, can be found in the Investment of the Fund section of this Annual Report. NILGOSC continues to believe that environmental, social and governance issues can affect long-term financial returns however we believe that engaging with companies over such issues is a more effective strategy to influence corporate behaviour than divesting altogether. With this in mind, we have continued our collaboration with other large investors across the world on such issues throughout 2018/19.

Scheme Administration

Scheme membership grew by 6% during the year, bringing the total number of members to 129,947 at 31 March 2019. Of this total, 47.3% are actively contributing to the pension scheme. 24.4% have previously contributed but have not yet reached retirement and the remaining 28.3% are currently in receipt of a NILGOSC pension every month. Each of these member groupings has their own diverse range of needs and the NILGOSC team worked hard during 2018/19 to provide the high quality, personalised service that our stakeholders have come to expect. It is particularly pleasing to note the continued improvement in service standards achieved during 2018/19 and reported on page 17.

A key achievement was the rollout of a new self-service facility which is designed to provide members with faster, more convenient access to their pension records. We have seen a steady increase in member engagement on pension matters over the last 5 years and we hope that this new online facility will continue to promote engagement and interest across the different membership groups. We also revamped our scheme guide in 2018 with a roadmap theme so that it now takes a member on their NILGOSC journey from joining to receiving their pension. We plan to adopt this new style throughout our suite of communications over the coming years as a further means of engaging our membership. I am delighted with the positive feedback that both our new self-service facility and communications have received so far, including the results of the annual satisfaction survey undertaken in January 2019 which show an overall satisfaction level of 92%.

The last twelve months saw the conclusion of a three year project to reconcile the Guaranteed Minimum Pension (GMP) data that we hold with that held by HMRC. The project team established in June 2016 worked hard to meet the Government's deadline for completion of 31 December 2018, by which point the team had reviewed and resolved over 37,000 cases. Also in June 2016, NILGOSC established a second project team to help manage the fallout of contraction and reform within the Northern Ireland public sector. Since 2015, a number of scheme employers have implemented voluntary exit schemes and NILGOSC has seen a spike in demand for retirement quotations throughout the intervening period. During 2018/19 NILGOSC processed 1,177 requests for quotations and 434 retirement benefits as a result of early exits alone. The political deadlock has added to the uncertainty around the future scale and timing of voluntary exit schemes. Given the continued political hiatus and ongoing budget pressures across the public sector, we expect the operation of early exit schemes to continue into 2019/20 as resources remain in place to meet this extra demand.

Both the GMP reconciliation and public sector reform have placed additional demands on the administration teams in NILGOSC and, as I mentioned at the start of this statement, I was delighted to see our efforts recognised across the LGPS sector by winning the Local Authority Pension Fund Scheme Administration Award in September 2018. In reaching their decision, the judges stated that they were impressed with how NILGOSC handled its workload over the last year, including public sector redundancy exercises, annual benefit statements and the GMP reconciliation, as well as contributing to the wider public sector pensions industry in Northern Ireland and keeping customer satisfaction levels high. Well done to everyone involved!

Looking Forward

The Committee commenced a new strategic review cycle in April 2018 with a strategic planning workshop designed to inform direction for the following three years. The corporate plan for the three years ended 31 March 2022 was approved in February 2019 and sets out how we plan to tackle the challenges ahead as well as providing a level of service suitable for the stakeholders of today.

First and foremost, the next triennial valuation of the fund is due as at 31 March 2019, which means a significant data collection and processing exercise culminating in the publication of the valuation report by 31 March 2020. Through this report, the Scheme Actuary will certify the contribution rates payable by scheme employers for the three years from 1 April 2020. While the outcome of the valuation is not yet known, NILGOSC is very mindful of the financial environment in which many of its employers are currently operating and the impact that any further increase in employer contributions payable could have.

While strong investment returns in recent years and changes in life expectancy have positively impacted NILGOSC's funding position, there is unfortunately a big question mark over the future benefit structure of the LGPS NI. Following a review by the Government Actuary's Department of scheme costs, changes to the accrual rate were expected to take effect in April 2019 however; these were put on hold by the UK Government in January 2019, pending its legal challenge of a recent Court of Appeal decision. This particular decision found that the transitional provisions in two public sector pensions schemes, designed to protect older workers, unlawfully discriminated against younger workers on the grounds of age. The Supreme Court in June 2019 rejected this appeal and any remedy has the potential to require material changes to the benefit structure of public sector pension schemes. Either way, NILGOSC is facing a significant administration burden as it will need to update all its systems, software, processes and scheme literature to reflect any changes in benefit structure, whether arising from the cost cap mechanism or from wider public sector scheme reform. The continued political vacuum in Northern Ireland provides further uncertainty around the ability, timing and making of amending regulations in Northern Ireland. Any potential for retrospective regulations poses a material challenge to scheme administrators such as ourselves to have the systems, processes and communications updated with little or no lead-in time from any new legislation being made.

One thing we do have some degree of certainty over is that it will be business as usual in 2019/20 with key areas of focus including improved service delivery, data management, communication and engagement with stakeholders and continued implementation of the new investment strategy. Having rolled out the self-service facility to members in 2018/19, the focus for 2019/20 shifts to enhancing the service we provide to scheme employers. We plan to start the transition to i-Connect, an integrated electronic data submission and exchange facility for scheme employers. Once in place, employers will create an extract file directly from their payroll software which they will submit via i- Connect for verification and updating. The resulting reduction in manual intervention by both employers and NILGOSC is expected to yield significant benefits from a data accuracy, efficiency and information security perspective as all data will be remitted directly from employers' payroll systems to NILGOSC by way of a secure portal.

Thanks

Three Committee members and the Chairman reached the end of their maximum term of office on 31 December 2018. I would like to take the opportunity to personally acknowledge and thank Trevor Salmon, Bumper Graham, Joseph Donaghy and Celine McCartan for their commitment and contribution over the last 9½ years. This was a period of significant change in the structure of the Local Government Pension Scheme and the value of the Fund has grown significantly over this time. I would especially like to thank Trevor for his leadership of the Committee and his support during this challenging period.

Last but definitely not least, I would also like to express my sincere gratitude to current Committee members and the staff of NILGOSC whose dedication and hard work makes NILGOSC the pension scheme that it is today. It has been another successful year, with 95% of the business plan for the year either achieved or significantly achieved so thank you all very much.

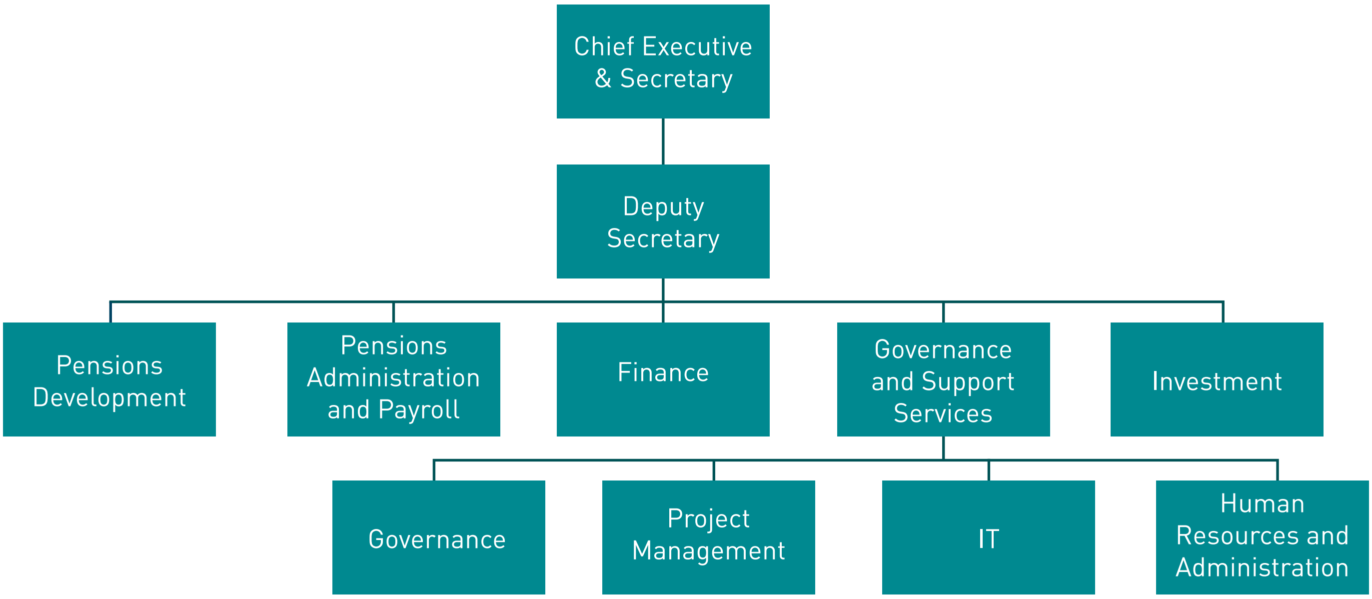
(III) STATEMENT OF PURPOSE AND ACTIVITIES OF THE ORGANISATION

NILGOSC was set up by the Government in April 1950 to operate a pension scheme for the local councils and other similar bodies in Northern Ireland. The pension scheme is known as the Local Government Pension Scheme (Northern Ireland), the 'Scheme', and is a defined benefit scheme, which provides retirement benefits on a 'career average revalued earnings' basis from 1 April 2015. Prior to that date benefits were built up on a 'final salary' basis. NILGOSC is the administrator of the Scheme.

As the administrator of the Local Government Pension Scheme (Northern Ireland) NILGOSC has two main functions which are laid down in Statutory Rules:

- To administer a pension scheme for local government and other admitted bodies
- To manage and maintain a fund out of which scheme benefits can be met

Day to day administration of the Scheme is performed by the Secretariat, who report to the Committee on a monthly basis. Led by the Chief Executive and Secretary and Deputy Secretary, over 80 experienced staff are responsible for the administration of retirement benefits and the monitoring of investments and operate within the functions shown in the chart overleaf.



NILGOSC is a Non Departmental Public Body but receives no funding from central government. It seeks to maximise income and minimise expenditure. The Scheme is funded by contributions made by both employees and employers who have been designated as employing authorities or admitted to the Scheme. All contributions are paid into a fund, the 'Fund', which is used to pay scheme benefits and other payments, as well as the costs of administering the pension scheme and investment fund.

NILGOSC provides pension services primarily to the public sector in Northern Ireland however a small number of Scheme employing authorities are private sector in nature.

With effect from 1 April 2015, the governing regulations are the Local Government Pension Scheme Regulations (Northern Ireland) 2014, the Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014, the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations (Northern Ireland) 2000, as amended.

NILGOSC's corporate vision is "*to provide an excellent and sustainable pension scheme*" and its mission statement is "*to operate the pension scheme efficiently and effectively while enhancing the quality of service provided to stakeholders*". In order to achieve this aim, NILGOSC has set 6 corporate aims which drive its business priorities and activities:

Aim 1	To provide an effective service complying with the pension scheme regulations, good practice, other legislation and stakeholder expectations.
Aim 2	To deliver an effective investment strategy in line with the actuarial profile of the fund.
Aim 3	To promote the scheme and inform members and employers of their pension options.
Aim 4	To influence and inform the debate on the future of the Local Government Pension Scheme.
Aim 5	To undertake business in an efficient, effective and accountable manner as required of a public body.
Aim 6	To be committed to the need to promote equality of opportunity, the desirability of promoting good relations and the fulfilment of Section 75 obligations.

Under the 6 corporate aims sit a number of business objectives and operational actions, each of which has its own performance indicator against which success can be measured. The full corporate plan together with a detailed performance analysis is set out on pages 11 to 47.

(IV) KEY ISSUES AND RISKS

NILGOSC has put in place a robust risk management framework as a means of identifying, recording and managing those risks which could prevent it from achieving its strategic objectives. NILGOSC has a single corporate risk register which is subject to formal quarterly reviews to ensure it remains relevant and accurately reflects the risks facing the organisation. Risks are classified into one of 6 categories – Investment, Financial, Reputational, Political/Strategic, Compliance or Operational. Each category has its own risk appetite, which is the amount of risk NILGOSC is willing to accept to achieve its objectives. This is in line with HM Treasury's 5 level classification system for risk appetite which has 5 levels – Hungry, Open, Cautious, Minimalist or Adverse.

Further information on NILGOSC's risk assurance framework is contained within the Governance Statement on pages 53 to 60.

NILGOSC provides a frontline service to its members and pensioners and prides itself on providing a high quality service to all its stakeholders. The external operating environment creates the biggest threat to service delivery as policy and taxation changes, often with little or no lead time, can impact materially on the administration of the pension scheme. In December 2018, NILGOSC began preparations for a planned change in accrual rate with effect from 1 April 2019, as a result of the outcome of a review of Scheme costs known as the cost cap review. Events were then superseded by a UK Court of Appeal decision which found that the transitional provisions in the public sector pension schemes, designed to protect older workers, unlawfully discriminated against younger workers on the grounds of age. This decision has the potential to require material changes to the benefit structure of public sector pension schemes to ensure compliance. Due to this uncertainty, in late January 2019 the UK government announced a pause to the operation of the cost cap mechanism in public service pension scheme valuations.

This decision brings with it a considerable administrative burden as NILGOSC will need to update all its systems, software, processes and scheme literature to reflect any changes in benefit structure whether arising from the cost cap mechanism or from potential wider public sector scheme reform. This will require software amendments to the core pension administration systems as well as changes to the benefit structure. NILGOSC's comprehensive suite of scheme literature will require revision and republishing to reflect any changes, including the redesign of statutory communications such as pension benefit statements.

If the planned cost cap changes recommence, the actions above will mean a sizeable increase in the administration budget for 2019/20 and the challenge will be compounded by the short time frame, if any, available for implementation. It is not possible to predict the likely outcome or impact of any wider reform to public sector pension schemes at this time. The continued political vacuum in Northern Ireland provides further uncertainty around the ability, timing and making of amended regulations. Where legislation is made after its effective date, NILGOSC is forced to operate within a very challenging transition window, particularly where third-party software developments are required. NILGOSC can only make payments on the regulations in force at any particular time and therefore the potential for retrospective regulations could create a material administration burden on NILGOSC.

Despite these challenges, there has been a marked improvement in the service level performance in 2018/19 with 14 out of 15 service standards met or exceeded.

The administration of benefits arising from public sector early exit schemes has continued to create challenges to resource management as requests tend to be both high in volume and short in turnaround time. While demand remained steady during 2018/19, any further constraint in public spending could lead to further restructuring and reform across the public sector.

In addition, changes in the wider political environment can have a material impact on NILGOSC's ability to deliver against objectives and service standards. For example, the continued absence of an Executive and Assembly in Northern Ireland during 2018/19 has impacted on the ability to issue amending regulations to comply with the Supreme Court ruling in respect of the Brewster case and also to replace outgoing Management Committee members whose term of office expired in December 2018.

Engaging with members and making sure that they understand the scheme and the benefits available is a key part of NILGOSC's on-going communication strategy. In November 2018 NILGOSC introduced an online self service facility, My NILGOSC Pension *Online*, which for the first time allows members to directly access and update the information NILGOSC holds on them. By encouraging up-take of the self-service facility it is hoped that the system will provide dual benefit to both NILGOSC and the member. While the primary beneficiary is the member, through enhanced service delivery options, there are potential financial savings to be made in the longer term through reduced postage and printing costs.

In addition to servicing the members of the pension scheme NILGOSC's other primary stakeholders are the 170+ employing authorities that contribute to the scheme. Employer education and engagement is essential to ensuring that NILGOSC receives the high quality and timely data needed to process member pension benefits in accordance with stated service standards. Poor data remains one of the key risks to the achievement of NILGOSC's corporate aims and objectives and the roll-out of a new data exchange will eliminate the need for the manual and time-consuming provisions of member information. The planned introduction of an integrated data collection and verification system which feeds directly into NILGOSC's pension administration system should make a significant difference to all and once operational will negate the need for what is a resource intensive annual returns exercise. The reduction in manual intervention is also expected to yield significant benefits from a data accuracy and information security perspective as all data will be remitted directly from employers' payroll systems to NILGOSC by way of a secure portal.

Public sector financial constraint also continues to create uncertainty for many scheme employers over future funding streams and the ongoing ability to meet pension liabilities as they fall due. In 2018/19 NILGOSC saw two employers enter insolvency, leaving a sizeable pension deficit to be picked up by other scheme employers. The focus for employer engagement in 2018/19 was therefore on key issues such as scheme funding and financial strength, including a covenant strength assessment of employers in advance of the March 2019 triennial valuation exercise. This assessment helped inform the consideration of NILGOSC's Funding Strategy going forward. The Funding Strategy Statement has been updated and is the subject of a stakeholder consultation in 2019, allowing stakeholders to feed into the funding strategy. The Funding Strategy Statement sets out the basis on which the fund valuation is undertaken and furthermore how NILGOSC will protect the fund and therefore scheme employers from the risk of individual employer default. This is a key part of NILGOSC's strategic aim to ensure longer term scheme sustainability.

NILGOSC operates in a high compliance pensions sector and is required to comply with a range of legislative deadlines and disclosures. NILGOSC has a robust governance framework in place to help mitigate compliance risks and this view was supported by the outcome of a review by The Pensions Regulator (the Regulator) during 2018/19. As part of an in-depth engagement with a sample of Local Government Pension Schemes (LGPSs) across the UK, the Regulator considered NILGOSC's existing scheme governance arrangements. On completion of the engagement the Regulator informed NILGOSC that it was pleased with the governance and administration processes in place, highlighting some particular areas of best practice.

From a governance and compliance perspective, the General Data Protection Regulation (GDPR) and the UK Data Protection Act 2018, became effective on 25 May 2018. NILGOSC made extensive preparations in advance of this date to ensure systems and processes were updated accordingly to ensure compliance with the new legislative requirements and to provide appropriate training to staff. Data accuracy and management continues to be a high priority in the 2019/20 business plan, particularly given the drive towards electronic delivery methods. Work continues on the development of an organisation wide electronic document management system to help manage and mitigate information risks.

Technological developments outside of pension administration also offer the potential to reduce risk, increase efficiency and enhance service delivery. Cyber threat management and information security remains a high priority for NILGOSC given the large volumes of personal data held and a robust control environment is essential to effectively manage information risk. NILGOSC undertook vulnerability testing of its IT systems as part of its annual Business Continuity Plan and invited a third party to assess the robustness of its IT infrastructure to an external attack. This independent assessment rated NILGOSC 'low' in terms of its vulnerability to external attack.

Keeping with its strategic theme of long-term scheme sustainability, the business plan for the year ahead continues to progress a number of investment related operational actions which focus on ensuring that the Fund is adequately protected, as well as achieving solid long term returns from a suitably diversified investment portfolio. NILGOSC is required to maintain a Fund which is sufficient to provide for the payment of current and future benefits to members of the Scheme. In order to do so, NILGOSC aims to have in place a suitable investment strategy which provides both a high return on investments and an acceptable level of risk. This focus on long term scheme sustainability and the achievement of solid long-term returns from a suitably diversified investment portfolio is an important part of NILGOSC's on-going risk management process. Decisions taken in late 2017/18, as part of the review of its Investment Strategy will continue through 2019/20 to achieve its target asset allocation. Primarily designed to reduce risk, while ensuring a stable level of return, the final phase of the new strategy will conclude in 2019/20. Further details are set out in the Performance Analysis Investment of the Fund section of this Annual Report starting on page 33.

(V) SUMMARY OF PERFORMANCE

The following section summarises NILGOSC's performance from both a Scheme Administration and Investment perspective. A detailed analysis of performance across both the administration and investment functions can be found on pages 11 to 47 in the Performance Analysis section of the Annual Report.

Administration of the Scheme

- Membership of the Scheme continued to grow during the year with 129,947 contributing members, pensioners and deferred pensioners at 31 March 2019.
- At 31 March 2019 there were 171 bodies contributing to the Scheme.
- A new approach to collecting deficit recovery

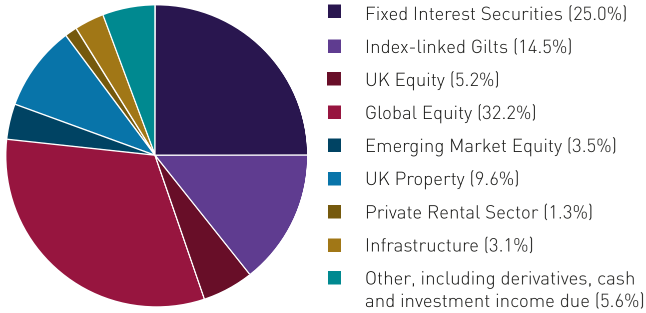
contributions from employers was implemented as part of the 2016 valuation and from 1 April 2017 employer contributions consist of two separate elements: a percentage of pensionable pay in respect of future accrual of benefits (19% in 2018/19 for the majority of employing authorities) and annual monetary amounts in respect of deficit recovery.

- The Pension Increase (Review) Order (Northern Ireland) 2018 increased pensions which had been in payment for more than a year (commenced before 25 April 2017) by 3%. A proportionate increase applied to any pensions beginning on or after 25 April 2017 but before 25 March 2018.
- The Guaranteed Minimum Pensions Increase Order (Northern Ireland) 2018 increased GMPs by 3% from 6 April 2018.
- 2018/19 has been a successful year as NILGOSC met or exceeded 14 out of 15 service standards as set out on page 17.
- A stakeholder satisfaction survey was undertaken in January 2019 to measure the satisfaction levels of Scheme members, pensioners and employers. The total satisfaction rating for the year was 92% (2017/18: 91%).
- 2018/19 saw the launch of the My NILGOSC Pension *Online*, a new self-service facility that allows members to access their pension details securely and update their information.
- NILGOSC achieved, substantially achieved or was on target to achieve 81 out of the 85 operational actions included in its 2018/19 Corporate Plan. This equates to an achievement rate of 95% (2017/18: 93%).
- During the year ended 31 March 2019 NILGOSC received a total of 30 ill-health retirement appeals, 11 formal complaints and 19 informal complaints, a total of 60 appeals/complaints (2017/18: 69)

Investment of the Fund

- The value of the Fund increased by £491m to £8.040bn during the year ended 31 March 2019.
- Following the October 2017 Strategic Investment review, the second phase of the transition took place during 2018/19, with 3 active mandates terminated and 2 mandates reduced in order to fund the 4 new specialist Fixed Income investment managers with £2.2bn in March 2019.
- Transfers between asset classes has had a material impact on the overall asset allocation as at 31 March 2019 as shown in the following diagram:

Fund Asset Allocation at 31 March 2019



- The Fund exceeded its target by 4.5% and 3.4% on a three and five year basis respectively for the period ended 31 March 2019. The comparable statistics for the three and five year periods to 31 March 2019 on an annualised basis are set out in the table below:

	3 Years	5 Years
NILGOSC	11.2%	9.5%
CPI + 3.5%*	6.7%	6.1%

* Target was CPI+5% until 31 March 2018 and CPI+3.5% from 1 April 2018 onwards.

- Global equity markets rose over the last year but in contrast to the strong and relatively stable equity market uptrend seen through much of 2016 and 2017, 2018 and 2019 have seen lower returns and higher volatility, particularly in UK equities.
- Growth on bonds produced positive returns although yields fell in 2018/19 linked to global growth concerns and the impact of Brexit on UK government and corporate bonds.
- There was further property investment growth in 2018/19, supported mainly by stable income returns.
- NILGOSC has continued to implement its portfolio diversification plan through investment in a range of Infrastructure funds and realised strong growth returns in 2018/19. NILGOSC has committed £406m to a number of Infrastructure investment funds. As at 31 March 2019, NILGOSC had funded £207m of this commitment.
- NILGOSC voted in 464 investee company AGMs and other corporate meetings during 2018/19. The main areas of dissent continue to be executive remuneration practices and board composition.

PERFORMANCE REPORT

PERFORMANCE ANALYSIS

(I) SUMMARY

As set out in the Statement of Purpose and Activities of the Organisation the two main functions of NILGOSC are:

- To administer a pension scheme for local government and other admitted bodies
- To manage and maintain a fund out of which scheme benefits can be met

The key measures of performance for the administration of the pension scheme are: performance standards, which set a performance target for each of NILGOSC's key pension administration activities; progress in relation to the corporate plan objectives; the annual stakeholder satisfaction survey; and the cost per member to administer the scheme. In addition, NILGOSC monitors the level of complaints received and the nature of these complaints.

Performance against targets in respect of NILGOSC's key pension administration activities is monitored on a monthly basis by the Services Manager based on data generated by the pension administration software system and is presented to the Management Committee for review on a quarterly basis. Progress in relation to corporate plan objectives is reviewed on a quarterly basis by the Senior Management Team and by the Management Committee; a 'status' indicator is applied to each operational action to indicate the progress made in meeting the performance indicator and focus is placed on the areas where performance is behind target. Stakeholder satisfaction and the cost per member to administer the scheme are measured on an annual basis.

The key measure of performance for the investment of the fund is the overall return on total assets. NILGOSC's overall investment objective is to exceed the Consumer Price Index (CPI) by 3.5% per annum, to be measured over three and five year periods. A robust quarterly investment monitoring process is in place, which aims to look behind returns to see the underlying cause of any underperformance. In addition to monitoring financial returns, NILGOSC also reviews a number of important qualitative factors such as investment style and team, business strength, risk management and the level of assets under management.

In relation to asset allocation, NILGOSC sets a long-term investment strategy which informs the Fund's asset allocation target and the actual asset allocation of the Fund is monitored on a regular basis.

NILGOSC has a system of internal control that is based on an ongoing process designed to identify and prioritise the risks to the achievements of the Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. A full description of NILGOSC's risk management process is provided in the Governance Statement. Key Performance Indicators are set annually as part of the business plan cycle which formulates the Risk Register, the business plan and the budget for the year ahead.

A detailed analysis and explanation of the development and performance within the administration and investment functions is provided in the following sections of this Performance Report.

(II) ADMINISTRATION OF THE PENSION SCHEME

Scheme Benefits and Contributions

From 1 April 2015, a member builds up retirement pension at the rate of 1/49th pensionable pay for each year. Pension benefits in relation to membership between 1 April 2009 and 31 March 2015 were built up at the rate of 1/60th pensionable pay for each year of membership. There is no automatic lump sum provided in respect of membership after 31 March 2009. Pension benefits in relation to any membership before 1 April 2009 were built up at the rate of 1/80th (pension) and 3/80^{ths} (tax-free lump sum) of pensionable pay for each year of membership up to 31 March 2009. At retirement, members may give up some pension for additional lump sum, subject to HM Revenue and Customs (HMRC) limits. The conversion rate is £12 additional lump sum for every £1 of pension given up.

The Scheme is funded by contributions made by both employees and employers who have been designated as employing authorities or admitted to the Scheme. Before 1 April 2009, employees' contribution rates were fixed at 6% of their pensionable remuneration (except for those who were entitled to contribute to the Scheme at 5% before 1 February 2003 and have remained in continuous employment). Tiered employee contribution rates, determined by the whole-time equivalent rate of pay, were introduced from 1 April 2009. From 1 April 2015, employee contribution rates are determined on the actual rate of pay and not the whole-time equivalent rate of pay.

The ranges for the bands for tiered contribution rates are revised by the Department for Communities in April each year in accordance with the pensions increase. The Pensions (Increase) Act (Northern Ireland) 1971 applies the rate of inflation (as measured by the Consumer Price Index (CPI)) for September. The CPI figure for September 2017 was 3% and this was applied to the actual pensionable pay ranges. The rates effective from 1 April 2018 were as follows:

Actual Pensionable Pay Range	Employee Contribution Rate
£0 - £14,500	5.5%
£14,501 - £22,100	5.8%
£22,101 - £36,900	6.5%
£36,901 - £44,700	6.8%
£44,701 - £88,300	8.5%
More than £88,300	10.5%

Employers' contribution rates are determined by the Scheme's actuary every three years. A formal triennial actuarial valuation of the Fund as at 31 March 2016 was carried out in 2016/17 and set the employer contribution rates for the 3 years commencing 1 April 2017. A new approach to collecting deficit recovery contributions from employers was implemented as part of the 2016 valuation and from 1 April 2017 employer contributions consist of two separate elements:

1) a percentage of pensionable pay in respect of future accrual of benefits (future funding rate)
2) annual monetary amounts in respect of deficit recovery

For those employers whose participation in the Scheme is deemed to be indefinite and/or where an adequate covenant is in place, NILGOSC has agreed with its actuary future funding rates starting at 18% and rising to 20% for the 3 years commencing 1 April 2017. In addition, these employing authorities will pay deficit recovery contributions at a fixed monetary amount.

Year	Employer Future Funding Rate
1 April 2017 – 31 March 2018	18%
1 April 2018 – 31 March 2019	19%
1 April 2019 – 31 March 2020	20%

Those employers who have closed the Scheme to new entrants, or those whose participation in the Scheme is believed to be of limited duration, have individual contribution rates and capital payments as determined by the actuary.

The next triennial valuation is due as at 31 March 2019 and the outcome of the valuation will determine the employer contribution rates for the 3 years commencing 1 April 2020.

Scheme Status and Regulations

The Scheme is a statutory public service pension scheme as defined by the Pension Schemes Act (Northern Ireland) 1993. The Superannuation (Northern Ireland) Order 1972 gives the power to the Department for Communities to make regulations providing for pensions, allowances and other gratuities for persons employed by local authorities and other bodies. Since the 1972 Order, various regulations have been issued detailing the provisions governing the Local Government Pension Scheme in Northern Ireland. The Public Service Pensions Act (Northern Ireland) 2014 sets out a common framework for the new public service pension schemes from 1 April 2015 and since then legislation relating to the LGPS (NI) is made under this Act.

The provisions that relate to the 2018/19 financial year are contained in the following sets of regulations:

Effective from 1 April 2015, as amended

- The Local Government Pension Scheme Regulations (Northern Ireland) 2014 (SRNI 2014/188)
- The Local Government Pension Scheme (Amendment and Transitional) Regulations (Northern Ireland) 2014 (SRNI 2014/189)

The Scheme is also governed by:

- Local Government Pension Scheme (Management and Investment of Funds) Regulations (Northern Ireland) 2000 (SRNI 2000/178)
- Local Government(Early Termination of Employment) (Discretionary Compensation) Regulations (Northern Ireland) 2007 (SRNI 2007/93)

As a public service pension scheme, the Scheme was contracted out of the State Second Pension (S2P) up until 5 April 2016 and is a registered public service scheme under Chapter 2 of Part 4 of the Finance Act 2004. Automatic registration was achieved by Part 1 of Schedule 36 of that Act. Full tax relief is granted on members' and employers' contributions paid to the Fund and on all United Kingdom investment income other than dividends arising from UK equities.

New Regulations

No amending Scheme regulations were made during 2018/19.

Scheme Membership

The number of active, deferred and pensioner members of the Scheme continued to grow during 2018/19. Several changes took place with respect to employing authority membership as a result of cessations and a merger as detailed below.

Members

Membership of the Scheme increased during the year to 129,947 members. At 31 March 2019, the Scheme consisted of 61,513 contributing members, 36,788 pensioners and 31,646 deferred members.

Employing Authorities

At 31 March 2019, there were 171 employing authorities contributing to the Scheme. These employing authorities were composed of 11 councils, 1 Education Authority, 1 Library Authority, 49 associated bodies, 88 schools, 9 further and higher education colleges and universities and 12 employers with restricted membership (closed to new members). A full list of these organisations can be found on pages 119 to 122.

No new employing authorities were admitted during 2018/19. The following employing authorities ceased during the 2018/19 year:

Employing Authority	Date of Cessation
Northern Ireland Citizens Advice Bureau	23 April 2018
Northern Ireland Rural Development Council	7 March 2019
Alpha Housing Association	10 March 2019

The records relating to Armagh Planetarium and Armagh Observatory were merged to correctly reflect the legal status as one body, Armagh Observatory and Planetarium.

HSG Zander (Bilfinger) changed its name to Apleona HSG Limited.

Pensions Increase

The Pensions (Increase) Act (Northern Ireland) 1971 and the Social Security Pensions (Northern Ireland) Order 1975 are the primary legislation that govern increases to public sector pensions. The Pensions Increase Orders govern increases to Scheme pensions and the Social Security Revaluation of Earnings Factors Orders govern increases to guaranteed minimum pensions (GMPs), a component of some members' pensions.

The Pension Increase (Review) Order (Northern Ireland) 2018 increased pensions which had been in payment for more than a year (commenced before 25 April 2017) by 3%. A proportionate increase applied to any pensions beginning on or after 25 April 2017 but before 25 March 2018.

The Guaranteed Minimum Pensions Increase Order (Northern Ireland) 2018 increased GMPs by 3% from 6 April 2018.

Cost Management

When the new Career Average Revalued Earnings (CARE) Scheme was introduced in April 2015 it included an employer cost cap mechanism. A figure was calculated for each public service scheme, known as the 'employer cost cap'. This was the target rate reflecting the cost of accrual in the reformed Scheme. The figure calculated for the Local Government Pension Scheme (Northern Ireland), (LGPS (NI)), was set at 17%. A cost cap valuation of each public service pension scheme was to be carried out by Government Actuary's Department (GAD). This valuation was to measure certain costs of the scheme relative to the cost cap mechanism. If these costs varied by more than 2% of pensionable pay above or below the scheme-specific target rate, then a breach would have arisen and steps must be taken to return costs to the level of the employer cost cap. This is achieved by either adjusting future benefits or member contributions or a combination of both. The cost cap is not affected by changes in actuarial methodology, changes in the discount rate used and does not measure costs associated with deferred or pensioner members where benefits arose before 1 April 2015.

On 18 December 2018, GAD published the 2016 valuation report for the LGPS (NI) confirming that the cost cap cost of the Scheme was 3.2% below the employer cost cap. The Scheme Advisory Board had considered various options and proposed that the accrual rate should be adjusted. The Department for Communities issued a consultation on the proposals to address the cost cap floor breach on 17 December 2018 and this consultation ran until 15 February 2019. The consultation proposed that the accrual rate for members will increase from 1/49 (2.04%) to 1/43.5 (2.3%) along with corresponding increases in the accrual rate for survivors.

However, on 20 December 2018 the Court of Appeal issued a judgement stating that there had been unlawful discrimination in relation to the transitional protections provided to groups of firefighters and members of the judiciary when the 2015 Schemes were introduced. The transitional protections applied to public service workers who, at 1 April 2012, were within ten years of their current pension age – these workers were to see no change in when they could retire nor any decrease in the amount of pension that they would receive. In the LGPS

(NI) the transitional protections were achieved by an underpin for protected members.

As the implications of the judgement are unclear UK Treasury Ministers announced a pause to the cost cap process as there is certainty about the value of pensions provided to employees from April 2015 onwards. The Department of Finance in Northern Ireland subsequently issued Direction amendments on 6 March 2019 pausing the cost cap process.

The Government was denied its leave to appeal the December 2018 judgement in June 2019 thus a remedy will be required to compensate employees who were transferred to the new 2015 schemes and to remove the discrimination going forward.

Indexation and Equalisation of Guaranteed Minimum Pensions (GMP)

The Government consulted between 28 November 2016 and 20 February 2017 on how GMP indexation and equalisation should be applied to public service pension schemes from 6 December 2018. An interim solution applied for the period from 6 April 2016 to 5 December 2018 where public service pension schemes were to pay full indexation for members reaching state pension age between those dates i.e. no increase in respect of the GMP is paid along with the member's state pension.

In January 2018, the Government issued a further response to the consultation saying it was extending the interim solution for the period from 6 December 2018 to 5 April 2021. The Department of Finance subsequently issued a Direction, effective from 6 December 2018, confirming the interim solution from 6 April 2016 to 5 April 2021.

During this additional period the Government was to consider how to implement GMP conversion or any other alternative as a long-term solution. However, in October 2018 the High Court in England and Wales provided its judgement on the Lloyds GMP equalisation case. The High Court found that pensions must be equalised for the effects of unequal GMPs and provided some guidance on how to do that in relation to the Lloyds scheme. Unequal GMPs arose primarily because GMPs for females were payable at age 60, males at age 65, a female's GMP increases at a faster rate than that of a male and the rate of revaluation of GMPs is generally higher. As the calculation and revaluation of GMPs is set out in law the only way to equalise benefits is to amend the non-GMP elements of pension to remove the inequality.

Following this ruling that related to private sector schemes, HM Treasury stated that 'Public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgement'.

HM Treasury's decision on the long-term solution for public service pension schemes remains outstanding.

GMP Reconciliation Exercise

The end of contracting out in April 2016 saw changes to the national insurance regime and brought with it a requirement for pension schemes to reconcile their records relating to contracted out membership with those held by HMRC. NILGOSC has now finalised its data reconciliation and has resolved 37,828 cases from a starting point of 38,401.

In March 2018 the Department for Communities approved the write off of all historic overpayments identified from the GMP reconciliation exercise, which up to 31 March 2019 totalled £381,961. An amount of £89,999 is classified as a loss in NILGOSC's 2018/19 annual accounts, as set out in the Assembly Accountability Report and Note 26 to the accounts. A total of £291,962 was previously written off in the 2016/2017 and 2017/2018 accounts. Pensions have been corrected going forward for all affected members and the treatment of historic overpayments and the correction of pensions going forward has been consistent with the approach across the rest of the public sector.

Revaluation of CARE Benefits

The Public Service Pensions Revaluation Order (Northern Ireland) 2018 makes legislative provision for the revaluation of member's benefits for those CARE schemes which use the change in prices (the LGPS (NI)) or change in earnings as the measure for revaluation. An increase of 3% was applied on 1 April 2018 in relation to CARE benefits built up as at 31 March 2018.

The Public Service Pensions Revaluation Order (Northern Ireland) 2019 confirmed an increase of 2.4% was to be applied on 1 April 2019 to CARE benefits built up to 31 March 2019.

National Fraud Initiative

NILGOSC participates in the biennial National Fraud Initiative (NFI) run by the Northern Ireland Audit Office, which has statutory powers to conduct data matching exercises for the purpose of assisting in the prevention and detection of fraud. NILGOSC participated in the NFI 2018/19 data matching exercise in October 2018 and matches were released in January 2019.

In total, 661 data matches were released across eight reports. Of the 661 matches, 244 were investigated as potential pensioner overpayments. Five of these totalling £3.2k were confirmed as overpayments and the rest were closed with no further action. Of these five overpayments, one case has been repaid in full and recovery of the other four overpayments totalling £2.9k is being pursued.

NILGOSC is continuing to pursue recovery of the overpayments identified through previous NFI data matching exercises.

No cases of proven or suspected fraud have been identified through the 2018/19 data matching exercise.

Equality, Social Matters and Human Rights

NILGOSC has a commitment to the fulfilment of its duties under Section 75 of the Northern Ireland Act 1998 and NILGOSC's Equality Scheme states that it will report on the progress it has made in the delivery of its Section 75 statutory duties. NILGOSC's Annual Equality Statement is set out on pages 114 to 115 of this report. NILGOSC's commitment to the promotion of equality of opportunity and diversity within its workforce is reflected across all of its staff policies.

As a global investor NILGOSC can influence social factors including human rights through its responsible investment activities. Further information in respect of NILGOSC's responsible investment activities can be found within the Investment of the Fund section of this Performance Analysis, starting on page 43.

Anti-Bribery and Anti-Corruption Matters

NILGOSC values its reputation for ethical behaviour, financial probity and reliability and is committed to conducting business in an honest and ethical manner. NILGOSC takes a zero-tolerance approach to acts of bribery and corruption, by its staff or anyone acting on its behalf. Further details are set out in NILGOSC's Anti-Bribery Policy Statement which can be found on NILGOSC's website at the following address: http://www.nilgosc.org.uk/resources/category/13/policies.aspx.

Environmental Matters and Sustainability Targets

NILGOSC's Statement of Investment Principles acknowledges that environmental, social and corporate governance (ESG) issues can affect the financial performance of investment portfolios and states that it will take such matters into consideration as part of the investment process. Of all the ESG risks facing investors, climate change has arguably the greatest potential for widespread impact across individual corporations, sectors, asset classes and economies and NILGOSC has undertaken some climate risk related actions during 2018/19. Further details in respect of ESG issues and climate risk actions taken by NILGOSC during the year are provided within Responsible Investment in the Investment of the Fund section of this Performance Analysis Report.

NILGOSC is exempt from the targets within the Greening Government Commitments, however NILGOSC has consideration for sustainability in procurement exercises where possible.

Furthermore, NILGOSC has invested in e-communications and encourages members to engage via electronic media platforms not least through the launch of its new self-service facility, My NILGOSC Pension *Online* in 2018/19.

Publications

NILGOSC has produced a series of guides and booklets, which have been designed to provide additional information on various aspects of the Scheme. Copies of these publications are available on request from NILGOSC or may be downloaded from our website www.nilgosc.org.uk. The guides and booklets available are as follows:

- Member Guide to the Local Government Pension Scheme (Northern Ireland)
- NILGOSC Pension Guide
- Retirement Guide
- Increasing your Retirement Benefits
- Leaving the Scheme Before Retirement
- Alternative Communications Leaflet
- Decisions, Reviews and Complaints
- Re-Joining the Scheme
- Equality Scheme Summary
- Employers' Guide to the 2015 Scheme
- Employers' Guide to Automatic Enrolment
- Human Resources Guide to LGPS (NI)
- Payroll Guide to LGPS (NI)
- Members' News, Deferred Members' News and Pensioners' News
- Annual Report

The Scheme rules are available from the TSO shop at http://www.tsoshop.co.uk/ or by telephoning 0333 200 2425. The Regulations are also available online at www.legislation.gov.uk.

In addition to providing information to members, deferred members, prospective members, pensioners, and employers, the NILGOSC website also contains a wide range of corporate information including:

- Statement of Investment Principles
- Funding Strategy Statement
- Management Committee Biographies
- Equality Scheme
- Publication Scheme
- Corporate Plan
- Decisions, Reviews and Complaints

Performance Standards

In May 1997, the Management Committee approved service standards for key NILGOSC activities and set a performance target for each service standard. The service standards are reviewed annually and performance against the targets is monitored by the Committee. In April 2019 the internal auditor, ASM, tested NILGOSC's service standards reporting system and performance outturn as part of its annual validations review. The following table provides a summary of performance against the service standards during 2018/19.

Task	Standard (working days)	Target	% Within Standard
Lump sum retirement payments	10 days	90%	99%
Death grant payments	10 days	90%	98%
Leaver options notifications	20 days	90%	95%
Refund payments	10 days	95%	99%
Transfer out quotations	20 days	90%	99%
Transfer out payments	10 days	90%	94%
Transfer in quotations	10 days	90%	99%
Transfer in confirmations	20 days	90%	99%
New entrant certificates	20 days	95%	99%
Correspondence	10 days	95%	97%
Benefit quotation requests	10 days	90%	96%
Issue members' annual report	by 30 November	100%	100%
Issue members' annual benefit statements	Within 5 months of year end, unless relevant data unavailable	100%	96%
Pensions paid each month	Last banking day of month	100%	100%
P60s issued to all pensioners	By 31 May	100%	100%

Due to the hard work and focus of all the administration teams, 2018/19 has been a successful year with all but one of the 15 service standards met. There was sustained improvement on 2017/18 service performance when 6 of the 15 service standards were not met.

Administration Developments

In 2018/19 My NILGOSC Pension *Online*, a new self-service facility was launched to all member groups. This online portal allows members 24/7 access to their pension records enabling them to view and update personal information and permitting active and deferred members to check the value of their pension benefits and estimate the value of their pension upon retirement.

The expectation is that this real-time access, addressing the most prevalent member queries, will enhance the member experience and reduce the workload of the pensions administration team as more members register on the system.

Approximately 13,850 members have registered (8,739 active members, 2,245 deferred members and 2,861 pensioners) and website activity indicates growing participation. In the most recent survey of members, My NILGOSC Pension *Online* service was ranked in terms of ease of registration, quality and accuracy of information provided, look and layout of website and ease of navigation. 91% of respondents rated these categories as good or excellent.

Satisfaction Survey

A Stakeholder Satisfaction Survey for the year 2018/19 was carried out in January 2019. Surveys were drawn up for members, deferred members and pensioners, relevant to the service they receive from NILGOSC.

A sample was compiled to include members who have used our service during the year, as well as a random sample. All surveys were completed online. Approximately 4,131 surveys were sent, and the response rate averaged at 31.6%.

In addition, online surveys were also sent to all 171 employing authorities. A total of 62 employers responded to the survey, a response rate of just over 36%. Of this 98% rated their overall satisfaction with NILGOSC as good or excellent.

Key focuses for the surveys were:

- Publications – participants were asked to rate publications on the relevance of information contained, presentation and layout, and ease of understanding.
- Customer service – this section included questions relating to staff knowledge, courtesy, and professionalism.
- My NILGOSC Pension *Online*.

Overall satisfaction levels ranged from 84% of deferred members, to 93% of active members and 95% of pensioners who rated their overall satisfaction with the service they received as being good or excellent. The total overall satisfaction rate for all respondents was 92%, an increase from last year's overall rating of 91%.

Publications

Respondents were asked to rank communication materials on a scale of 1 to 5 (1 being poor and 5 being excellent). Questions related to relevance of information, presentation and layout and ease of understanding. 94% of respondents rated NILGOSC communications as being good or excellent, which was an increase from 92% in 2017/18.

Customer Service

The survey examined a range of areas relating to customer service for members. While all areas performed well, privacy when discussing information saw over 95% of respondents rating the service as good or excellent.

Cost per Member

The table below shows administration expenses per scheme member, together with the ratio of members to staff. In the year ended 31 March 2019, the cost per member adjusted for inflation has decreased from the previous year. While administration expenses have increased the net uplift in total membership has marginally reduced the cost per member.

Year ended 31 March	Total Members	Number of Staff	Members/ Staff	Admin Expenses £'000	Cost/ Member £	Cost adjusted for Inflation £
2010	88,568	50	1,771	2,659	30.02	36.14
2011	90,667	50	1,813	1,950	21.51	*24.77
2012	92,761	49	1,893	2,357	25.40	**28.46
2013	95,382	50	1,908	2,892	30.32	33.11
2014	103,382	53	1,951	3,112	30.10	32.36
2015	109,462	58	1,887	3,267	29.85	32.08
2016	114,026	64	1,782	3,803	33.35	35.67
2017	118,794	78	1,523	4,348	36.60	***38.27
2018	122,587	84	1,459	4,393	35.84	***36.55
2019	129,947	82	1,585	4,699	36.16	***36.16

* In 2011, in accordance with IAS 19, Admin Expenses include a negative Past Service Cost of £868,000 arising from the change from RPI to CPI in uprating index-linked features of post-employment benefits. The cost per member in 2011 excluding the negative Past Service Cost of £868,000 was £31.08, which is £34.24 when adjusted for inflation.

** The cost per member for the year ended 31 March 2012 was unusually low mainly due to the release of the over-accruals made in the previous year.

*** £846k has been deducted from Administration expenses for the year ended 31 March 2019 (2017/18 £281k; 2016/17: £1,933k) for the purposes of the cost per member calculation. This adjustment reflects the amount of the total movement in employing authority bad debt provision in 2018/19 and 2017/18. For 2016/17, the adjustment figure also includes the bad debt write off in relation to employing authority debt which, like the provision, is not a member related cost but is attributed to the employing authorities in the Scheme through triennial valuation.

Decisions, Reviews and Complaints

NILGOSC and its employing authorities have the right to make decisions regarding membership, contributions payable and benefits to be awarded.

If a member does not understand, or is unhappy with, a decision made by their employer, the member should take this up with the employer via its complaints and disputes procedure.

If an individual is unhappy with a decision made by NILGOSC, they should try to resolve the issue with the member of staff who made the decision, or with their manager. This can be done in writing, by telephone or by personal visit. If the matter is not resolved to their satisfaction, they can make a formal complaint.

NILGOSC operates a two stage process for Reviews and Complaints. At stage one, the individual sends the Services Manager at NILGOSC a letter or a Reviews and Complaints Form giving details of the complaint, and asking for a review of the decision. The form is available on the NILGOSC website or on request from the Pensions Service team. The person appointed to consider a stage one review is NILGOSC's Secretary, Deputy Secretary or Acting Secretary.

If the individual is unhappy with the decision made by the Secretary at the stage one review, they may ask the Committee to undertake a stage two review. Any request for a stage two review must be sent to the Services Manager within six months of the date of the Secretary's stage one review decision.

Further details can be found in the 'Decisions, Reviews and Complaints' booklet, which is available on the NILGOSC website or on request. This guide provides full contact details for external bodies which may be able to help to resolve complaints, such as the Pensions Advisory Service, the Pensions Ombudsman Service, the Pensions Regulator and the Northern Ireland Public Services Ombudsman.

NILGOSC received a total of 30 ill-health retirement benefit appeals, 11 formal complaints and 19 informal complaints during 2018/19, a total of 60 appeals/complaints. 2 of the 11 formal complaints progressed to a stage two review and were upheld at this stage. The 30 ill-health retirement appeals consisted of 20 stage 1 appeals and 10 stage 2 reviews. Of the 20 stage 1 ill-health retirement benefit appeals, 5 progressed to stage 2 reviews, 2 decisions were replaced, 1 member withdrew their complaint and 2 remain outstanding. The remaining 5 stage 2 reviews related to stage 1 appeals from the previous year, 2 of which were upheld.

NILGOSC regularly monitors the nature of complaints to ensure that any trends are noted, and that appropriate action is taken as required. The complaints log review is a standing biannual agenda item at meetings of the Senior Management Team.

Further information on the monitoring of appeals/complaints received by NILGOSC can be requested by writing to the Services Manager at NILGOSC's address which is provided at the beginning of this report.

Review of Corporate Plan 2018/19

NILGOSC publishes its Corporate Plan over a rolling three-year period. The purpose of the Corporate Plan is to set out the aims, objectives and service standards of the Committee, taking into account external factors such as government policy and stakeholder needs. The Corporate Plan is reviewed and revised annually, and a copy of the 2017/18 – 2019/20 Corporate Plan can be downloaded from the NILGOSC website at www.nilgosc.org.uk. As can be seen from the following table, a significant proportion of the 2018/19 Corporate Plan was completed or on target at 31 March 2019.

1. To provide an effective service complying with the pension scheme regulations, good practice, other legislation and stakeholder expectations.

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2019	Status
1.1 To pay members' pension benefits, refunds and transfers promptly and accurately	1.1.1 To pay monthly pensions promptly and accurately	Paid by last banking day of the month	431,738 pensioners paid YTD 100% paid by last banking day of the month	Achieved
	1.1.2 To pay pension lump sums promptly and accurately	Within 10 working days of the receipt of the relevant details	2,500 pension lump sums paid YTD 99% within target Average time taken - 6 days	Achieved
	1.1.3 To pay refunds of contributions promptly and accurately	Within 10 working days of receiving a valid application	1,775 refunds paid YTD 99% within target Average time taken - 5 days	Achieved
	1.1.4 To pay transfer payments promptly and accurately	Pay the cash equivalent within 10 working days of receipt of required information	94 transfer outs paid YTD 94% within target Average time taken - 6 days	Achieved
	1.1.5 To reconcile member GMP data with those held by HMRC	Reconciliation completed by 31 December 2018	Reconciliation completed in line with HMRC deadline	Achieved
1.2 To credit pension contributions, transfers and other employer liabilities received promptly and accurately	1.2.1 To collect monthly contributions and invest in scheme fund promptly	Within 10 working days of following month	A small number of late contribution payments during 2018/19. All records up-to-date and credit control policy applied as required.	Achieved
	1.2.2 To update member records on receipt of annual returns from employers	For 100% of employers by 31 July	All returns posted by deadline	Achieved
	1.2.3 To credit pension account on receipt of transfers into the scheme promptly	Provide confirmation within 20 working days of receiving the transfer payment	292 transfer in confirmations provided YTD 99% within target Average time taken - 8 days	Achieved
	1.2.4 To obtain and advise employers of actuarial costs and agree payment schedule promptly	Within 20 working days of receipt of information	Employers advised of costs within target timescale	Achieved

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2019	Status
1.3 To provide members with information needed to make pension decisions promptly	1.3.1 To respond to member queries	Within 10 working days	8,081 items of correspondence answered YTD 97% within target Average time taken - 4 days	Achieved
	1.3.2 To provide members leaving the scheme with option choices	Provide a statement of benefit options within 20 working days of notification	2,586 early leaver notifications provided YTD 95% within target Average time taken - 10 days	Achieved
	1.3.3 To provide members with benefit quotations on request	Benefit quotations issued within 10 working days	4,759 quotations issued YTD 96% within target Average time taken - 5 days	Achieved
	1.3.4 To provide members and deferred members with benefit statements	Benefit statements issued within 5 months of year end	99.6% Active benefit statements and 89.3% Deferred benefit statements issued by 31 August 2018. Overall benefit statements were issued to 96.2% of membership by the deadline.	Substantially Achieved
	1.3.5 To provide members with annual allowance statements as applicable	Statements issued by 6 October	100% annual allowance statements issued by deadline	Achieved
	1.3.6 To provide an estimate of a cetv	Within 20 working days of receipt of relevant details	655 transfer out quotations provided YTD 99% within target Average time taken - 6 days	Achieved
1.4 To pay death benefits promptly and accurately	1.4.1 To notify dependants of pensions payable	Within 10 working days of receipt of the relevant proof of title	112 dependants' pension paid YTD 100% within target Average time taken - 3 days	Achieved
	1.4.2 To pay death grants promptly	Within 10 working days of receipt of the relevant proof of title	1039 death grants paid YTD 98% within target Average time taken - 2 days	Achieved
1.5 To ensure that all necessary action is taken on any change to scheme rules	1.5.1 Ensure that processes change to reflect regulation changes	Complete changes within 3 months of regulations made	No regulation changes during 2018/19. Processes reflect current regulations.	Achieved

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2019	Status
	1.5.2 To train relevant staff on any regulation changes	Relevant staff trained on new regulations within 3 months of regulations made	No regulation changes during 2018/19. Staff trained on current regulations.	Achieved
	1.5.3 To have administration systems updated for any new or amended regulations	To have administration systems in place within 3 months of regulations made	No regulation changes during 2018/19. Systems reflect current regulations.	Achieved
	1.5.4 To monitor and improve data quality and ensure common data quality meets TPR standards	Data scores calculated in line with TPR guidance and action taken in line with data improvement plan	Data scores at October 2018: Common - 94.7% Scheme specific - 91.3%. Action plan in place and reviewed on a quarterly basis.	Achieved
1.6 To ensure that systems and procedures comply with relevant legislation	1.6.1 To respond to Data Protection and Freedom of Information requests	Within 1 month (GDPR) or 20 days (FOI) of request	37 SARs and 20 FOI requests have been received in the year to date. All SARs were responded to within deadline. Two FOI requests were responded to just outside of the statutory deadline.	Substantially Achieved
	1.6.2 To update policies, procedures and literature to ensure compliance with GDPR	All documentation updated by 25 May 2018	Policies, procedures and literature were updated by 25 May 2018	Achieved
	1.6.3 To train staff on GDPR requirements	Staff training complete by 30 April 2018	All staff received external GDPR training in March 2018. Focused training provided in 2018/19 for staff who manage subject access requests. GDPR e-learning training was also delivered to all new staff on induction.	Achieved

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2019	Status
	1.6.4 To implement the Retention and Disposal Schedule	To complete implementation for electronic records by March 2020	Disposal of paper records is ongoing in line with the Disposal Schedule. EDRMS required to facilitate disposal of electronic records. A scoping exercise has commenced for this project and it will be progressed during 2019/20.	On Target
1.7 To ensure NILGOSC attracts and retains well trained personnel	1.7.1 To ensure all staff complete training plans and undertake appropriate training	That all staff complete plans and that training is received	Individual training plans were completed through the annual appraisal process by 31 July 2018. Staff completed a total of 1,431 hours of training over the 2018/19 financial year.	Achieved
	1.7.2 To utilise e-learning packages for mandatory corporate training, where appropriate	All staff have successfully completed e-learning modules issued	e-learning modules have been completed as required during 2018/19 including the completion by all staff of a new GDPR module and the completion by new staff of the FOI module and the Equality and Diversity module	Achieved
	1.7.3 To undertake a review of the staff structure and capacity	Review completed by 31 March 2019	Review completed in January 2019	Achieved
	1.7.4 To monitor staff retention and address any issues identified	Staff turnover level maintained below 20%	Year to 31 March 2019 - 19%. Excluding fixed term contracts the level is much lower at 6%.	Achieved
	1.7.5 To undertake a biennial staff satisfaction survey and address any issues identified	Staff survey completed by 31 March 2019	Survey completed in March 2019	Achieved
1.8 To ensure that the office environment meets the growing needs of stakeholders and staff	1.8.1 To maintain and improve office facilities to meet the ongoing needs of stakeholders and staff	Full office refurbishment completed by 31 March 2020	Phase 1 works completed during 2018/19 and Phase 2 works scheduled for June 2019 in line with current project plan. A revised completion date of 31 March 2021 has been reflected in the 2019/20 business plan.	On Target

2. To deliver an effective investment strategy in line with the actuarial profile of the fund.

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2019	Status
2.1 To value the scheme assets and liabilities and set contribution rates accordingly	2.1.1 Undertake actuarial valuation every 3 years	Publish valuation by 31 March 2020	Data provided to allow for experience analysis and preliminary work on demographic assumptions. Terms of Reference agreed and planning meetings held with the actuary.	On Target
	2.1.2 To ensure employer contribution rates for 2018/19 implemented and deficit recovery contribution streams collected	Collect minimum contributions due under current Rates & Adjustment certificate	All contributions and deficit recovery streams collected as agreed. Balance of deficit recovery amounts collected with March 2019 contributions in April 2019.	Achieved
2.2 To invest scheme funds in accordance with the Statement of Investment Principles and the Statement of Responsible Investment	2.2.1 To achieve investment performance in line with targets	NILGOSC fund target	3 and 5 year return to 31 March 2019 was ahead of fund target of CPI+3.5% by 4.5% and 3.4% respectively	Achieved
	2.2.2 To monitor and regulate investment management	That no manager breaches investment guidelines and that under performance is promptly addressed	As at 31 March 2019 no fund manager had breached investment guidelines and underperformance was addressed through the scorecard process	Achieved
	2.2.3 To maximise income from scheme assets	Amount of income earned	Stock Lending income: £2,493,673 to 31 March 2019 Class actions income to 31 March 2019: £70,462	Achieved
	2.2.4 Implement the Statement of Responsible Investment	Vote in as many company meetings as possible, recoup earnings through class actions and to engage with companies to improve governance	Investment management costs monitored on an on-going basis. A report was presented to the Committee in November 2018 and a cost transparency report produced by KAS Bank was presented in March 2019.	Achieved

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2019	Status
	2.2.5 To implement the decisions from the Investment Strategy Review	Revised Investment Strategy implemented by 30 September 2019	£828m was moved to passive Index Linked Gilts in March 2018. Two UK equity, a global equity and the fixed income mandate terminated March 2019. This plus a reduction in passive equities was used to fund 4 new ARB and MAC mandates. RLAM, PIMCO, T. Rowe Price and BlueBay mandates funded on 22 March 2019. The process to implement a global property mandate commenced in March 2019.	On Target
2.3 To review investment performance regularly	2.3.1 To undertake a balanced scorecard review of investment managers on a quarterly basis	Quarterly scorecard report completed	Quarterly scorecard reports completed and approved at relevant Management Committee meetings	Achieved
	2.3.2 To benchmark investment performance against LGPS peers	Annual benchmark report produced by 30 September	Report presented to Committee on 29 August 2018	Achieved
	2.3.3 To monitor investment management costs	Annual investment management fee report by 31 December	Investment management costs monitored on an on-going basis. A report was presented to the Committee in November 2018 and a cost transparency report produced by KAS Bank was presented in March 2019.	Achieved
	2.3.4 To collate standardised cost data across externally managed portfolios	Standardised data collated for period ended 31 March	All investment managers and fund managers completed the LGPS Cost Transparency Template for 2017/18	Achieved
2.4 To understand and adopt good practice in Public Sector fund management	2.4.1 Review Statement of Investment Principles and Funding Strategy Statement	Revise FSS and revise SIP when necessary	SIP reviewed and updated in February 2018. Initial review of FSS underway ahead of 2019 valuation.	Achieved

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2019	Status
	2.4.2 To monitor and manage employer covenants in line with Funding Strategy Statement	Review completed by 31 March 2019	Covenant Assessment exercise completed January 2019. Communication with all employers considered to have a weak covenant in advance of 2019 Actuarial Valuation.	Achieved
2.5 To work collaboratively on investment matters when suitable opportunities arise	2.5.1 To explore the benefits of scale investing and share knowledge and expertise on opportunities in alternative private markets	Collaboration with like-minded investors where mutually beneficial	Continued collaboration with Lothian Pension Fund on infrastructure with one co-investment during 2018/19	Achieved
	2.5.2 To collaborate with like-minded investors on environmental, social and governance matters to support common goals	To join collaborative initiatives and share knowledge and expertise where appropriate	In the year to 31 March 2019 NILGOSC was involved in the following initiatives: - Along with other Climate Action 100+ supporters, co-filed a shareholder resolution proposed at the 2019 AGM of BP plc - CDP's 2019 non-discloser Campaign - CDP's 2019 Climate Change, Water and Forests Campaigns and the 2019 Investor Action Request - PRI engagement on water risks in agricultural supply chains Phase 2 - Signed 2018 Global Investor Statement to Governments on Climate Change - Signed UNPRI facilitated letter to IOSCO on ESG disclosure - CDP's 2018 non-discloser campaign UK Pension Schemes RI Roundtable	Achieved

3. To promote the scheme and inform members and employers of their pension options.

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2019	Status
3.1 To actively encourage retention in, and new membership of, the Scheme	3.1.1 To monitor the level of members opting-out of the Scheme, understand the reasons and market the Scheme to non-members	Maintain active membership levels at March 2015 levels	The number of active members at 31 March 2019 was 61,513, which is an increase of 8,637 from that at 31 March 2015	Achieved
3.2 To provide general scheme information to scheme employers, their employees, members, Trade Unions and pensioners through active engagement	3.2.1 Publish comprehensive scheme literature and guidance	Within 3 months of scheme changes	No scheme regulation changes during the year. Literature reflects current regulations.	Achieved
	3.2.2 Provide employee and employer seminars	Employer satisfaction rating as measured through annual satisfaction survey	37 seminars and 5 Pension Information Clinics held during 2018/19. Employer satisfaction measured in March 2019 and overall satisfaction (good or excellent) was 90%.	Achieved
	3.2.3 To lay the annual report in the NI Assembly	In accordance with date agreed with Department	Accounts approved, signed and laid before Assembly on 11 September 2018 as agreed with DfC	Achieved
	3.2.4 To implement the Communications Strategy	Actions completed in line with target dates	Actions substantially complete at 31 March 2019	Substantially Achieved
3.3 To provide members and employers with specific details of regulation changes and relevant tax legislation changes	3.3.1 Communication of any relevant regulation and tax changes	Within 3 months of regulations or changes being made	No relevant changes during the year	Achieved
	3.3.2 To advise all new members of the benefits of the pension scheme	Issue information to new scheme members and membership certificates within 20 working days of receipt	14,647 new member packs issued YTD 99% within target	Achieved
3.4 To provide advice on the pensions implication of other changes such as public sector reorganisation	3.4.1 Continue to work with affected bodies and staff to explain pension implications	Meetings with bodies, advice given to members, satisfaction with NILGOSC service. Representation on working groups.	Engagement and attendance as required	Achieved
	3.4.2 Continue to monitor the implications of reorganisation on the ability to deliver a pension service	Monitored quarterly by the Senior Management Team	Considered monthly by way of separate agenda item at SMT. Future challenges incorporated into staffing review.	Achieved

4. To influence and inform the debate on the future of the Local Government Pension Scheme.

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2019	Status
4.1 To influence changes to the LGPS and actively contribute to relevant consultations	4.1.1 To ensure that employers and recognised trade unions are aware of potential scheme changes	All employers informed of key potential scheme changes	Circulars 08/2018 and 11/2018 issued to advise employers and Trade Unions of Government announcement on public service pension schemes, DoF and DfC consultations	Achieved
	4.1.2 To respond to relevant Government consultation exercises	By consultation reply date	Responded to DoF Directions consultation, Pensions Ombudsman and DWP Pensions Dashboard	Achieved
	4.1.3 To respond to parent Department consultation exercises	By consultation reply date	Responded to all DfC LGPS consultations	Achieved
	4.1.4 To contribute to consultee groups eg PLSA, LGPC etc	To have representation on all groups	Representation continued	Achieved
4.2 To engage with, and inform, interested parties and relevant decision makers	4.2.1 To identify interested parties and decision makers for relevant issues and ensure they are adequately briefed on the consequences for NILGOSC	Evidence of engagement	No significant issues for NILGOSC but communicated with employers and Trade Unions on Cost-Cap implications	Achieved
4.3 To improve the Scheme Regulations for the benefit of employers and members	4.3.1 Identify potential changes to the existing regulations or draft regulations and lobby the Department to make the changes	Formal notification of amendments to the Department	Department updated with list of outstanding issues. Advised DfC on implications of Cost-Cap and of a number of options for improving benefits.	Achieved

5. To undertake business in an efficient, effective and accountable manner as required of a public body.

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2019	Status
5.1 To enhance corporate governance arrangements appropriate for a public body	5.1.1 Respond to External Auditor letters	Within 10 working days	All requests for information provided in a timely fashion prior to and during audit. 2017/18 report confirmed 2016/17 recommendation fully addressed and no new recommendations.	Achieved
	5.1.2 Review of NILGOSC Internal Controls	Annually by 31 March	Governance statement published for 2017/18	Achieved
	5.1.3 Participate in data matching exercises as appropriate	Identify invalid payments and recoup losses	NILGOSC is continuing to pursue the recovery of overpayments identified through previous NFI data matching exercises. Data submitted for 2018 NFI data matching exercise in October 2018.	Achieved
	5.1.4 To test Business Continuity procedures and ensure effective	Annual test of Business Continuity Plan	The annual Business Continuity Plan test for 2018/19 was successfully completed	Achieved
	5.1.5 Maintain a Risk Register and take actions to mitigate identified risks	The Risk Register is compiled, reviewed quarterly and action identified is completed	The 2018/19 Risk Register was agreed by SMT, ARAC and the Management Committee in June 2018. Quarterly reviews have been undertaken throughout the year.	Achieved
	5.1.6 To undertake a triennial review of the Organisation's Strategic Objectives	Review undertaken by 31 December 2018	Consultation launched in May 2018 and concluded August 2018. Revised Strategic Objectives approved by Committee on 25 September 2018.	Achieved
	5.1.7 To undertake the retendering of goods and services	Tenders completed in line with procurement schedule	Updated contracts management policy and procedures introduced Q1 2019. Contracts register maintained and procurement schedules adhered to.	Achieved

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2019	Status
	5.1.8 To utilise relevant procurement frameworks to minimise costs and increase efficiency	Frameworks utilised where they offer value for money and meet business needs	All opportunities to exploit collaborative frameworks being explored. Moved to NICS collaborative electricity supplier in 2018. Founder member of LGPS legal services and pensions software frameworks and transition to NICS collaborative framework for banking services commenced in 2018/19.	Achieved
	5.1.9 To ensure that all Committee members undertake appropriate training in line with good practice, guidance and legislation	Each member has undertaken 40 hours of training/ development per annum	The Committee exceeded its collective training target for 2018/19 however one member did not achieve the individual target of 40 hours p.a., with 23.5 hours of training recorded for the period	Not Achieved
	5.1.10 To provide tailored induction training and support for new Chair and Committee members	Induction completed within 2 months of appointment to Committee and relevant sub-committees	There were no new Committee members appointed during 2018/19	On Target
5.2 To introduce IT developments and other procedures in order to improve efficiency	5.2.1 Implementation of an Electronic Document Records Management System	System installed and operational by 31 March 2019	This project was delayed due to the implementation of a member self service facility and to allow for the recruitment of an IT Manager during the year. Scoping has commenced for the project and a revised target date included in Corporate Plan 2019/20.	Not Achieved
	5.2.2 To implement automated receipt and straight through processing of data from employers	System operational for large employers by 31 March 2019	Project has been deferred until supporting IT infrastructure is in place. Revised operational action included in Corporate Plan 2019/20-2021/22.	Not Achieved

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2019	Status
	5.2.3 To continue to collect member email addresses, automate email address updating and preferencing, and use email for publications if desired by the member	Increase members opting for electronic publications by March 2019 by 5%	Increase in members electing for email communications of 64%, primarily due to the roll-out of the new member online service	Achieved
	5.2.4 To promote the take-up for Member Self Service across scheme membership	To achieve a 5% registration level for members by 31 March 2019	The system was rolled out on a phased basis between November 2018 and March 2019. At 31 March 2019 10% membership had registered to use the facility.	Achieved
	5.2.5 To review and redesign key pension administration processes	Review completed by September 2018	All processes reviewed by March 2019 and recommendations for redesign made where necessary. Redesign aspect of project included in Corporate Plan for 2019/20.	Substantially Achieved
	5.2.6 To establish a bespoke specification of NILGOSC's pension administration software needs	Specification prepared by 31 December 2018	NILGOSC is a founding partner of the National LGPS Framework for Pensions Administration software. This development negates the requirement to prepare a bespoke specification as NILGOSC's requirements will be reflected in the framework documentation.	Not Achieved
5.3 To manage change in an effective and timely manner	5.3.1 To issue an internal newsletter to improve and promote staff communication	Newsletter issued quarterly	Templeton Times issued quarterly	Achieved
	5.3.2 To establish project groups to manage projects on a timely and effective manner	Projects managed in accordance with PRINCE 2 methodology and in line with project timetable	Project Co-ordinator supports all project leads to scope the project and develop a plan to suit the project environment using tailored PRINCE 2 methodology, as appropriate. Projects are monitored, updated and supported throughout.	Achieved

6. To be committed to the need to promote equality of opportunity, the desirability of promoting good relations and the fulfilment of the Section 75 obligations.

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2019	Status
6.1 To assess the likely impact of policies on the promotion of equality of opportunity and good relations	6.1.1 Use the tools of screening and EQIA to determine the likely impact of any new policy	Screening and/or EQIA completed during the policy development or review process	Four policies were equality screened during 2018/19.There were no significant equality impacts identified from the screening exercise and no EQIAs required.	Achieved
6.2 To ensure NILGOSC personnel policies promote equality of opportunity	6.2.1 To prepare s55 Report for Equality Commission	Report prepared by April 2020	Report not due in 2018/19	On Target
	6.2.2 To record annual recruitment monitoring information	Report submitted by 1 May each year	The annual monitoring report for the year ended 1 January 2018 was submitted on 26 April 2018	Achieved
6.3 To ensure that NILGOSC meets or exceeds best practice as set out by the Equality Commission	6.3.1 To implement the Equality Scheme Action Plan 2018/19-2020/21	Actions completed in line with plan	The 2018-2021 Action Plan was published following a consultation exercise. Progress against actions is reviewed on a biannual basis	Achieved
	6.3.2 To submit s75 Annual Progress Report to include publication of EQIA monitoring information	Submission to Equality Scheme by 31 August 2018	The s75 Annual Progress Report was submitted to the Equality Commission by the deadline of 31 August 2018	Achieved
	6.3.3 To publicise Equality Scheme in routine publications	Equality Scheme publicised in Annual Report, Members' News, Deferred Members' News and Pensioners' News	Publicised in 2017/18 Annual Report and Newsletters	Achieved

Status Key

Achieved:	Target met
Substantially Achieved:	Achieved greater than 90% of target
On Target:	Progress in line with plan
Caution:	Achieved between 75% and 90% of target
Behind Target:	More than 75% behind target
Not Achieved:	Target not met

(III) INVESTMENT OF THE FUND

Background

The Regulations require NILGOSC to maintain a fund to provide for the payment of current and prospective benefits to members of the Scheme. In order to ensure that this objective is achieved, NILGOSC must determine a suitable investment strategy, which provides a sound return on investments within an acceptable level of risk.

All income received by NILGOSC, including employees' and employers' contributions, rents, interest and dividends are paid into the Fund. Expenditure, such as monthly pensions, retirement allowances, death grants, refunds and the administration costs of NILGOSC are met from the Fund.

The assets and liabilities of the Fund are valued every three years by the Scheme actuary. Following each valuation, the actuary certifies the employers' contribution rates to maintain the viability of the Fund. A statement by the Scheme actuary for the year ended 31 March 2019 is included on pages 109 to 111.

Fund Management

NILGOSC retains overall responsibility for the Fund, with the power to appoint one or more fund managers to manage and invest fund monies on its behalf. In appointing fund managers, NILGOSC retains statutory responsibility for the management of the Fund and that responsibility cannot be delegated.

NILGOSC has a statutory duty to:

- Take account of the amount to be managed by each manager and be satisfied, having taken advice, that it is not excessive
- Have regard to the suitability of investments
- Monitor the performance of the managers and from time to time review their appointment
- Take proper advice, obtained at regular intervals

NILGOSC maintains overall control of the Fund by:

- Agreeing the overall investment objectives with the fund managers taking into account actuarial expectations and investment powers
- Setting targets for asset allocation
- Monitoring investment performance
- Monitoring investment transactions

NILGOSC has compiled a Statement of Investment Principles (SIP) as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations (Northern Ireland) 2000. Copies of the SIP are available on request or can be downloaded from the NILGOSC website at www.nilgosc.org.uk.

Investment Aims and Objectives

NILGOSC aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided, and to provide reasonable stability in contribution rates for the employers. To meet this aim NILGOSC's overall investment objective is to exceed price inflation and general salary growth over long term periods.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by consumers for a market basket of consumer goods and services. The annual percentage change in CPI is used as a measure of inflation and to index (i.e. adjust for the effect of inflation) the real value of wages, salaries and pensions to show changes in real values. NILGOSC's actuarial valuation as at 31 March 2016 assumes a prudent investment return of 4.5% for the main group of employers, which is equivalent to CPI +2.5% (or Retail Price Index [RPI] +1.4%). In order to reduce the funding deficit, the aim of the Fund is to achieve investment returns above this level. The overall investment target changed on 1 April 2018 in line with the new investment strategy. From that date the overall investment target is to exceed CPI by 3.5% per annum, to be measured over three and five year periods.

Investment Strategy

NILGOSC sets its long-term investment strategy by taking into account the nature and timing of the Fund's liabilities identified through the triennial actuarial valuation and its investment aims and objectives. In setting the Fund's investment strategy, NILGOSC first considers the lowest risk strategy that it could adopt in relation to the Scheme's liabilities. The investment strategy is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.

These considerations drive decisions over asset allocation. NILGOSC formally reviews the Fund's strategic asset allocation every three years and reviews the target weightings annually. In determining its asset allocation, NILGOSC considers:

- A full range of asset classes
- The risks and rewards of a range of alternative asset allocation strategies
- The suitability of each asset class
- The need for appropriate diversification

The Fund's investments are diversified across various asset classes in order to increase the overall expected returns while reducing the overall level of expected risk. A mixture of passive and active mandates is also used to capture the returns required to meet the Fund's objectives.

The latest formal strategic review took place in October 2017 and culminated in a revised investment objective and asset allocation. The review was informed by the improved funding position identified by the 2016 valuation, together with advice from the Investment Adviser and Scheme Actuary on future investment and demographic expectations. The new investment objective has been effective since 1 April 2018 and a transition plan is underway which aims to implement all remaining asset allocation changes during 2019/20.

The revised strategy will see the proportion of the fund invested in equities decrease from over two-thirds to just over a third and a reweighting of the portfolio towards fixed income going forward, as NILGOSC seeks to reduce investment risk as the Fund slowly matures. The reweighting of the portfolio also led to a review of NILGOSC's overall investment objective, which from 1 April 2018 was changed from CPI+5% to CPI+3.5%.

The first stage of the transition was successfully completed in March 2018, with £827.8m transferred from active UK equity mandates to fund an increase in the passive index linked gilts fund managed by Legal & General. This included termination of the BlackRock Global Equity mandate in February 2018. The second phase of the transition took place during 2018/19, with 3 further active mandates terminated (Baillie Gifford UK Equity, Wellington Global Equity and Wellington Global Aggregate Bonds) and 2 mandates reduced in order to fund the 4 new specialist Fixed Income investment managers with £2.2bn in March 2019. The 4 new mandates were funded on 22 March 2019 and performance management commenced on 1 April 2019. The 4 new mandates are Royal London Asset Management (RLAM) Absolute Return Government Bond Portfolio, T. Rowe Price Dynamic Global Bond Fund, BlueBay Total Return Diversified Credit and PIMCO Multi Asset Credit Mandate. The third and final phase of the transition will involve appointment of a Global Property Manager and an Emerging Markets Equity Manager, which combined with further investment in infrastructure will reduce equity holdings to c.34% of the total fund.

The target asset allocation in effect at 31 March 2019 is that agreed in October 2017. The following table shows the target asset allocation along with the current weighting as at 31 March 2019. It also sets out the approximate assumptions made about the real return for each asset class in determining the strategy as at 31 March 2019.

Asset Class	Target Weighting %	Current Weighting %*	Real Return % p.a.**
UK Equity	5.5	5.5	4.5
Global Equity	26.0	34.1	5.0
Emerging Market Equity	2.5	3.7	6.0
UK Traditional Property	7.0	6.5	3.0
Private Rental Sector	1.5	1.4	3.0
Index Linked Leases	3.5	3.6	2.5
Global Property	3.0	0.0	3.3
Infrastructure ***	7.5	3.4	5.5
Index Linked Gilts	14.5	15.3	-2.0
Absolute Return Bonds	14.5	13.2	1.0
Multi Asset Credit	14.5	13.3	2.0

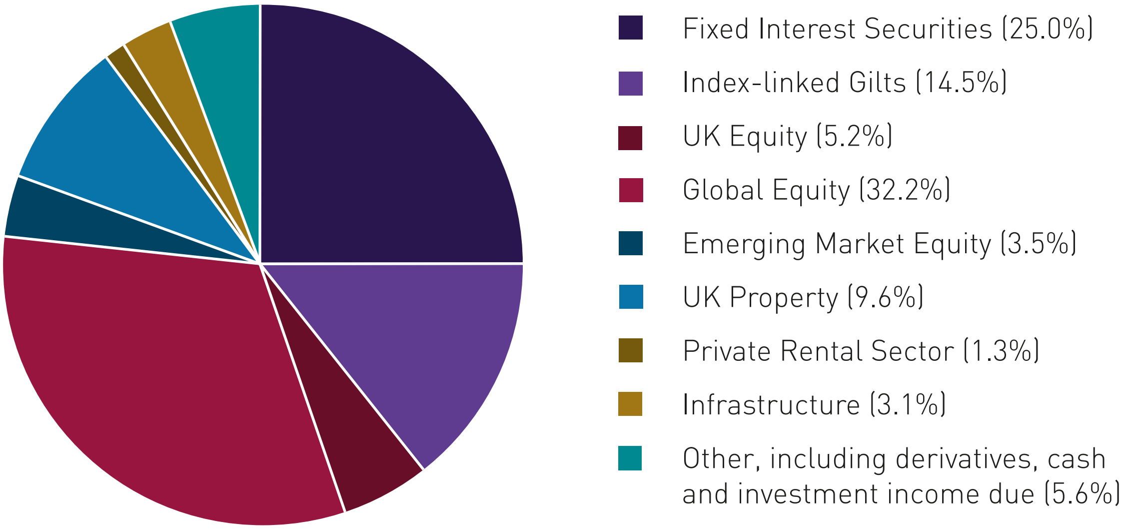
* The calculation of target and current weighting excludes investment cash held for trading purposes.

** The real return figures are based on Aon Hewitt's 10 year forward-looking assumptions at 31 March 2019 for each asset class and have been adjusted for its CPI assumption of 2.1% per annum. The figures do not allow for active management in traditional (equity, bonds, property) asset classes.

*** NILGOSC has committed £406m to a number of Infrastructure investment funds. As at 31 March 2019, NILGOSC had funded £207m of this commitment. The funds are denominated in Euros, US Dollars and Sterling. The amounts quoted are the base currency converted at the year-end exchange rate.

The actual asset allocation as at 31 March 2019 is illustrated in the following diagram. The calculations include investment cash held for trading purposes which is categorised as 'other'.

Fund Asset Allocation at 31 March 2019



NILGOSC monitors the suitability of its investment strategy, taking into account the funding position and Funding Strategy Statement, a copy of which can be downloaded from the NILGOSC website at www.nilgosc.org.uk. NILGOSC prudently seeks to secure the solvency of the Fund, where solvency is defined as being achieved when the value of the Fund's assets is greater or equal to the value of the Fund's liabilities, measured using appropriate actuarial assumptions.

A funding level of 100% has been targeted over a period of 20 years. NILGOSC believes that the Fund's investment strategy, in conjunction with the certified levels of future contributions to the Fund, is consistent with the requirement to return the Fund to 100% solvency within acceptable levels of risk and contribution rate volatility. The funding level will be monitored, on an approximate basis, at regular intervals between each triennial valuation and the investment strategy will be reviewed as necessary.

Fund Managers and Primary Funds

For certain asset classes in which NILGOSC wishes to invest, a range of fund managers have been appointed to manage the particular types of assets depending on their areas of expertise. In the case of alternative assets such as infrastructure and residential property, commitments to invest have been made in respect of a number of fixed term funds, known as primary funds, each with its own specialist manager. In addition to the primary infrastructure funds, NILGOSC collaborates with other LGPS funds, led by Lothian Pension Fund, to access sound infrastructure opportunities directly. These co-investment and/or single asset investment vehicles are designed to help build a low risk, diversified infrastructure portfolio in line with the Fund's target allocation. During 2018/19, NILGOSC continued this collaboration and at 31 March 2019 had committed a total of £75.5m through such collaborations. A further £32.6m was committed to co- investment opportunities directly with Antin Infrastructure Partners.

The following table sets out the mandates and primary fund investments in place as at 31 March 2019 and details the type and percentage of assets invested with each at this date, including cash held for trading purposes per fund manager. In the case of the primary funds, the amount shown in the table reflects the amount drawn down by the fund at 31 March 2019 and not the total commitment made to the fund. This information can be found in the footnote to the table on the following page.

Asset Class	Fund Manager	% of Total Fund
Mandates:		
UK Equities	Jupiter Asset Management	5.15%
Global Unconstrained Equities	Baillie Gifford Unigestion	7.95% 5.12%
Passive Funds	Legal & General Investment Management	39.48%
Absolute Return Bonds (ARB)	Royal London Asset Management T. Rowe Price	6.95% 6.86%
Multi Asset Credit (MAC)	BlueBay PIMCO	6.89% 6.97%
UK Traditional Property	LaSalle Investment Management	6.17%
Index Linked Property	LaSalle Investment Management	3.44%
Transition Account[1]	N/A	0.78%
Primary Funds:		
UK Residential Property	M&G UK Residential Property Fund[2]	1.27%
Infrastructure	Antin Infrastructure Fund II[3] Antin Infrastructure Fund III[4] Antin Infrastructure Fund IV[5] KKR Global Infrastructure Investors Fund II[6] KKR Global Infrastructure Investors Fund III[7] DIF V[8]	0.58% 0.59% 0.00% 0.59% 0.03% 0.15%
Infrastructure Co-Investments	Various[9]	1.00%
Smaller NI Investments	Various	0.02%

Source: The Northern Trust Company

[1] The transition of assets to the new ARB and MAC managers took place on 22 March 2019. At 31 March some illiquid equities remained unsold and were held in a transition account with NILGOSC's Custodian along with residual income. These equities were liquidated in early in 2019/20 and proceeds used to fund other asset classes as required for the new investment strategy.
[2] Total commitment £100m
[3] Total commitment €48m (£41.3m converted at 31 March 2019 exchange rate)
[4] Total commitment €75m (£64.6m converted at 31 March 2019 exchange rate)
[5] Total commitment €75m (£64.6m converted at 31 March 2019 exchange rate)
[6] Total commitment $60m (£46.0m converted at 31 March 2019 exchange rate)
[7] Total commitment $50m (£38.4m converted at 31 March 2019 exchange rate)
[8] Total commitment €50m (£43.1m converted at 31 March 2019 exchange rate)
[9] Total commitment £37.4m, €64.5m and $20m (£108.3m converted at 31 March 2019 exchange rate)

For those mandates where a specialist fund manager has been appointed, a performance target has been compiled by NILGOSC using indices applicable to the asset type and geographic market. The standard targets and benchmarks for each asset class held by the fund as at 31 March 2019 are shown in the following table:

Asset Class	Target/Benchmark Indices (Outperformance shown per annum)
UK Equities	FTSE All Share + 2% p.a.*
	FTSE All Share + 2-4% p.a.
Overseas Equities	FTSE All World Developed Indices + 2% p.a.*
	MSCI All Countries World + 3% p.a.
	FTSE All World Index + 3% p.a.
	FTSE All World North America Index
	FTSE North America GBP Hedged
	FTSE All World Developed Europe ex UK Index
	FTSE All World Developed Europe ex UK Index Hedged
	FTSE Japan Sterling Hedged
	FTSE All World Developed Asia Pacific ex Japan
	FTSE All World All Emerging
Cash	Cash LIBID 7-Day
Bonds	
Fixed Bonds	Barclays Capital Global Aggregate Bond Index +0.75% p.a.* Markit iBoxx £ Non Gilt ex BBB All Stk*
Index Linked	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index
Absolute Return Bonds	Sterling Overnight Index Average (SONIA) +2.5%** 3 month GBP LIBOR + 3%**
Multi Asset Credit	Merrill Lynch British Pound LIBOR 1-month Constant Maturity Index + 5%** To outperform the below composite benchmark by 2.5%: ** *33% JP Morgan EMBI Global (GBP Hedged);* *33% Bloomberg Barclays Global Aggregate Credit Index Ex Emerging Markets (GBP Hedged); and* *33% BofA Merrill Lynch BB/B Rated Developed Markets High Yield Constrained Index (GBP Hedged)*
Property	
Index Linked Property	RPI +3%
Traditional Property	IPD Quarterly Universe + 1% p.a.
Private Rented Sector	7% Absolute Return
Infrastructure	CPI + 3.5%

* These benchmarks were effective until early March 2019 when the related mandates and funds were terminated, so were not effective at year-end.

** These mandates were funded on 22 March 2019, but performance measurement did not begin until 1 April 2019. These benchmarks therefore do not relate to the 2018/19 financial year.

No explicit performance target has been set for the investments in the real asset infrastructure funds however, for performance reporting purposes these are measured against the Fund's overall investment objective of CPI+3.5%.

In addition to managing the Fund's passive holdings, Legal & General is also responsible for maintaining the overall asset allocation within agreed ranges under normal circumstances. Typically, when a range is breached, Legal & General will rebalance the Fund back within the agreed tolerance. This rebalancing was however suspended for periods during 2018/19 to allow an effective transition to the new asset allocations and investment strategy. We expect the rebalancing to recommence in 2019/20.

NILGOSC monitors its fund managers through reports produced by the Officers, the investment advisor and the performance measurement provider, who is NILGOSC's appointed global custodian, The Northern Trust Company ("Northern Trust"). Specifically, reports showing the financial performance of each investment manager and at the overall Fund level are provided by Northern Trust on a monthly basis and on a quarterly basis. Each manager is remunerated on a fee basis, dependent on the market value of the portfolio and in one case the level of performance achieved. These structures have been established in order to align the interests of the fund managers with those of the Fund.

All NILGOSC's active managers work to long-term investment horizons, generally a 5-10 year market cycle, and accordingly, NILGOSC is not unduly concerned with short term volatility in investment returns. A robust quarterly investment monitoring process is in place which aims to look behind returns to see the underlying cause of any underperformance. In addition to monitoring financial returns, NILGOSC also reviews a number of important qualitative factors such as investment style and team, business strength, risk management and the level of assets under management. NILGOSC also takes advice from its investment advisor, Aon Hewitt, and so retains conviction in the underlying investment process adopted by its external fund managers to deliver the target level of return over a three to five year investment horizon.

Market Report

Global equity markets rose over the last year, with the MSCI AC World Index increasing by 5.6% in local currency terms. However, in contrast to the strong and relatively stable equity market uptrend seen through much of 2016 and 2017, 2018 and 2019 have seen lower returns and higher volatility. Having fallen at the start of 2018 and largely recovered by the middle of the year, global equities were again rocked. Rising concerns of slowing global growth and corporate earnings, alongside trade war fears, led to a 12.5% fall in global equities over Q4 2018, the steepest quarterly decline since 2011. Concerns eased in the new year, helping markets rise by 12.3% over Q1 2019.

The US Federal Reserve (Fed) continued on its course to normalise monetary policy through 2018 but abruptly changed track in January 2019 by announcing that further rate hikes would be put on hold and their bond buying program would end. Over the period to March 2019, the Fed hiked the Federal Funds rate on three occasions, reaching 2.25%-2.50% in December 2018. The European Central Bank (ECB) ended their asset purchase program in December, although reinvestment of principal payments is continuing indefinitely. The ECB also announced cheap bank lending under another Targeted Long-Term Refinancing Operations program (TLTRO) to begin in September. Meanwhile, the Bank of England (BoE) raised rates to 0.75% in August as economic data stabilised and inflation remained above target.

Production cuts undertaken by the Organization of the Petroleum Exporting Countries (OPEC) and increased geopolitical tensions drove up Brent oil prices over much of the first half of the year. However, fears of a slowdown in global growth coupled with high US inventories and the waiving of US sanctions for eight Iranian oil importers caused oil prices to slump in Q4 2018, before prices rebounded somewhat in Q1 2019 as fears eased. Amidst weakening Chinese economic data and heightened trade tensions, industrial metals also fell sharply in Q4 2018 but rebounded over Q1 2019, resulting in the S&P GSCI Commodity index finishing the year to March 2019 down 3.0%.

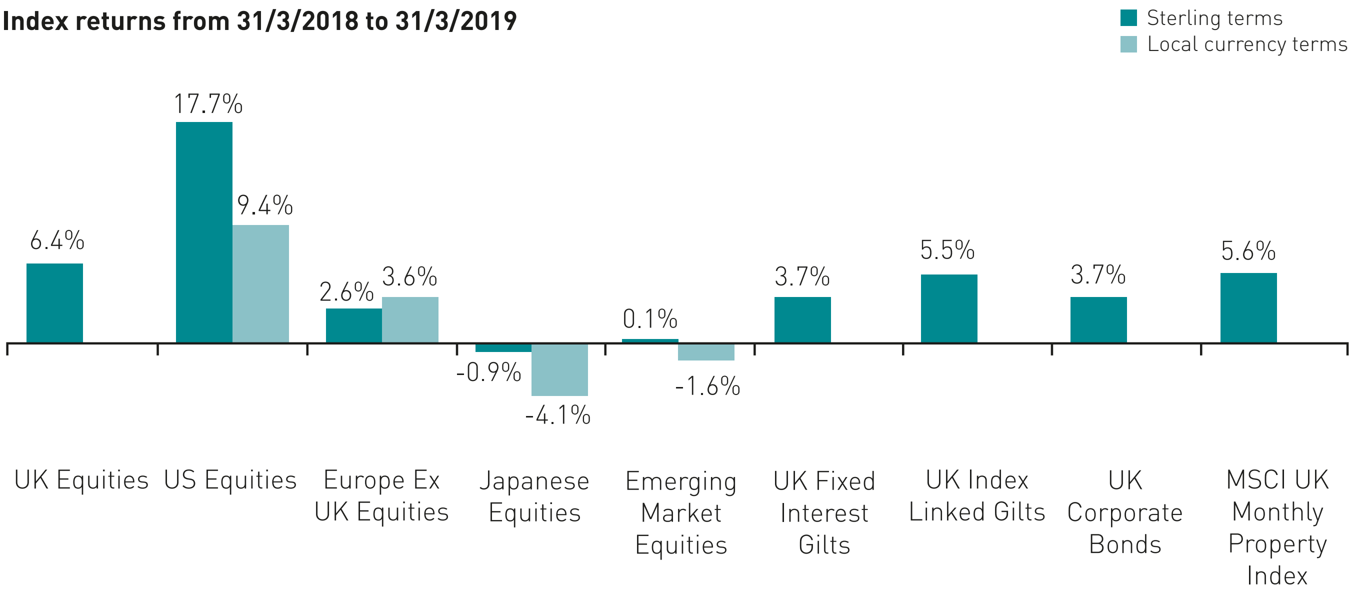
Sterling ended the twelve-month period 0.3% higher on a trade-weighted basis. Sterling remained subdued over the year despite increasing Brexit uncertainty. Some sterling weakness against the US dollar improved the return on global equity markets to unhedged UK investors as the MSCI AC World Index rose 10.5% in sterling terms.

UK fixed interest gilt yields had a volatile year, tending to rise and fall in tandem with global yields and Brexit developments. Yields fell sharply over the second half of the period amidst lowered monetary tightening expectations and downgraded growth and inflation outlooks. UK investment grade corporate bond credit spreads – the difference between corporate and government bond yields - widened steadily through the first half of the year before widening more rapidly in Q4 2018 against a backdrop of heightened volatility of risky assets.

UK commercial property returned 5.6%, supported by a steady income return. Capital value appreciation slowed through the year with capital values falling in Q4 2018 and Q1 2019.

The following graph summarises the index returns on the main asset classes/regions for the year to 31 March 2019. Returns are shown in sterling terms and local currency terms.

Index returns from 31/3/2018 to 31/3/2019



Source: FactSet, MSCI

Further details on the performance of specific asset classes over the period are provided below.

Equities

UK equities posted a return of 6.4% over the year. UK equities rose in Q2 2018 as sterling depreciation and higher energy prices boosted UK equities. After stalling in Q3 2018, they fell sharply in Q4 2018 with the sizeable Energy sector hit hard by falling oil prices and the Industrial sector hit by slowing global growth and trade tensions. Brexit uncertainty has also been a sizeable drag on more domestically-focused sectors.

US equities outperformed other markets over much of 2018 as a strong US economy – driven by a strong labour market, increased government spending and tax cuts – boosted US corporate earnings. However, the gap between the US and other markets' returns narrowed sharply in December as US earnings expectations were revised down on concern over an over-tightening Fed policy, the health of the Chinese economy and ongoing trade tensions. US equities rebounded in Q1 2019 despite slowing economic releases as a dovish shift, towards less tight monetary policy, from the Fed boosted investor sentiment. The US remained the best performing region over the year, returning 9.4% in local currency terms.

Fading economic momentum in the Eurozone as well as heightened political risk weighed on Europe ex UK equity performance over the year with the index returning 3.6% in local currency terms. The rising Italian budget deficit, election upsets in Germany and fears over European banks' exposure to Turkey, following sharp falls in the Turkish lira, were drags on performance.

Japanese equities were the worst performing region in local currency terms in all but Q3 2018, ending the year down 4.1% in local currency terms. Disappointing economic data, an appreciating yen, political scandals and global trade tensions all weighed on the region over the year. However, a stronger yen boosted returns to -0.9% in sterling terms.

Emerging Market equities returned -1.6% in local currency terms over the past year. Much of the region's negative return occurred in Q2 2018 as the region was hurt by US dollar strength and shocks in Turkey and Brazil. Poor performance continued into Q3 2018 as trade tensions between the US and China escalated and concerns over the Chinese economy increased.
EM equities were the best performer in Q4 2018 as a 10% decline in Chinese stocks was countered by double-digit positive return from Brazilian stocks following the election of Jair Bolsonaro.

Bonds

UK fixed gilts returned 3.7%, whilst UK index-linked gilts returned 5.5% as yields fell across both curves. Concerns over global growth alongside the market pivot in US interest rate expectations away from further rate rises – the market began pricing a 2019 rate cut from the Fed – pushed down global yields towards the end of the period.

Index-linked gilts outperformed fixed interest gilts. The yield-sensitive long index-linked gilts index outperformed as yields fell over the year, but mainly in the second half of the period. Medium maturity index-linked gilts also posted strong returns as yields fell sharply over the second half of the period.

Corporate bond spreads (the difference between the yields on non-government bonds and equivalent maturity government bonds) widened over 2018 in line with the pattern across global credit markets, as growth and trade concerns escalated; UK growth and Brexit concerns were an additional weight on UK corporate debt. Spreads widened sharply in Q4 2018 as greater risk aversion swept through riskier markets. However, spreads fell back in Q1 2019 as central banks took a step back from their tighter monetary policy plans, financial conditions improved, and yields fell.

Property

The MSCI UK Monthly Property Index moved up by 5.5% over the year, supported mainly by stable income returns. The increase in capital values slowed over much of the last year and values have fallen in each month since November. Vacancy rates finished the year slightly lower, and rental growth slowed with flat growth over the second half of the period.

Infrastructure

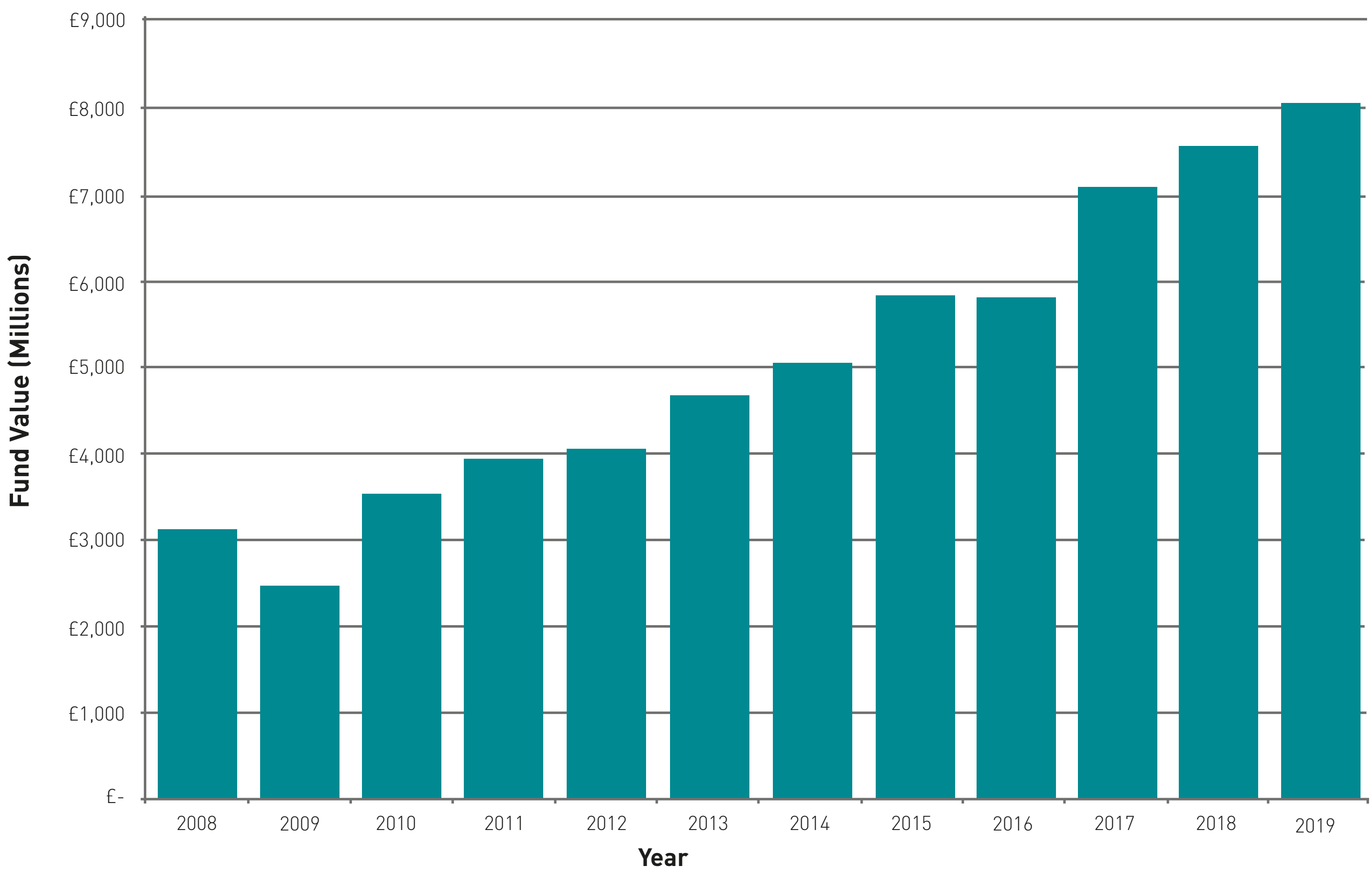
Strong investor demand for infrastructure funds continued in 2018, as investors looked to diversify portfolios. Uninvested capital as a proportion of capital committed remained similar to previous years. There continues to be a lot of interest in illiquid opportunities such as infrastructure.

Fund Value

The value of the Fund at 31 March 2019 was £8.040bn (2017/18 £7.549bn) an increase of £491m (6.5%) on the previous year.

Market values can fluctuate widely over short periods of time, reflecting short-term changes in investment conditions. In contrast, the triennial valuation of the fund is concerned with the long-term and uses actuarial assumptions. The actuary's report is shown on pages 109 to 111.

Value of the Fund



Investment Performance 2018/19

Over the year to 31 March 2019, the Fund's overall return on the total assets was 6.10% (gross of investment manager fees). NILGOSC's overall investment objective is to exceed the Consumer Price Index (CPI) by 3.5% per annum, to be measured over three and five year periods. As NILGOSC's objective is to achieve the maximum return on Fund investments over the longer term, having due regard to the liabilities of the Fund and an acceptable level of investment risk, it is important that undue attention is not given to the returns for a single year in isolation.

The Fund exceeded its target by 4.5% and 3.4% on a three and five year basis respectively for the period ended 31 March 2019. The comparable statistics for the three and five year periods to 31 March 2019 on an annualised basis are set out in the table below:

	Three Years % p.a.	Five Years % p.a.
Return of Fund	11.2	9.5
CPI + target*	6.7	6.1

* Target was CPI+5% until 31 March 2018 and CPI+3.5% from 1 April 2018 onwards.

The performance of the individual managers is monitored against their corresponding benchmark and performance target where applicable. These targets are set to allow NILGOSC to meet its overall investment objective, taking into account expected returns and market cycles. In the case of real assets such as the Fund's infrastructure investments, the returns are measured against the overall fund target of CPI+3.5% for consolidated reporting purposes.

NILGOSC monitored its investment managers and mandates on a quarterly basis throughout the year, with a focus on both quantitative and qualitative factors. Given that the focus remains on a 5 year plus investment horizon for many of the investments, it is important that undue concern is not placed on short term returns and volatility. Instead a key part of the ongoing monitoring process focuses on consistency with the mandate's core investment philosophy, the retention of suitably skilled personnel, risk management and business strength, as these factors are considered to be the key drivers of future performance. Different managers and mandates have been selected as a result of their overall fit with NILGOSC's investment objective and will perform differently in certain market cycles.

During the year ended 31 March 2019, the value of the Fund increased in absolute terms to £8.040bn, an increase of £491 million. There were mixed results from NILGOSC's investment mandates during the year, which in turn impacted on longer term returns. It was a rollercoaster year for UK equities with strong performance until Q4 2018 when UK equities declined significantly, but they subsequently rebounded in Q1 2019. Brexit concerns and related market volatility continued to impact the two UK equity mandates as many investors sought safety in larger, more defensive stocks. Returns from the two UK equity mandates were mixed. The Baillie Gifford UK equity mandate had strong performance in the first half of the year, then performance declined significantly in Q4 2018, but rebounded strongly in Q1 2019, resulting in performance from 1 April 2018 to the termination date (5 March 2019) falling just behind the FTSE All Share benchmark, but positive in absolute terms. Overall the mandate performed strongly, with performance from inception to termination finishing 1.9% ahead of the FTSE All Share benchmark. Jupiter's highly concentrated UK portfolio had another challenging year with performance remaining behind both the index and target across 1 year, 3 year and 5 year timeframes. Performance does however remain ahead of the benchmark on a since inception basis.

It was also a mixed outcome for NILGOSC's global equity managers. Baillie Gifford remained NILGOSC's best performing Global Equity manager for the sixth year running, with strong outperformance of the FTSE All Share index and target across all timeframes. Wellington Management Equity mandate was terminated on 5 March 2019 and fell short of its performance target over the period from 1 April 2018 to the termination date, but continued to outperform the FTSE All World by over 1% on a 3 year and 5 year basis. NILGOSC's third Global Equities manager, Unigestion was appointed at the end of September 2016 and its low volatility style continued to struggle throughout the year due to the continued bull market run. Performance figures are only available on a two year basis which, given the strategy, is considered to be too short to provide meaningful analysis. NILGOSC's global fixed income portfolio, managed by Wellington Management, was also terminated on 5 March 2019 in line with the transition strategy. It fell short of its performance target for the period from 1 April 2018 to the termination date but remained ahead of the index over all timeframes.

Property continued to be a good diversifier for the Fund during 2018/19. The core property portfolio, managed by LaSalle, fell slightly short of both the IPD Quarterly Universe and its target for the year, mainly driven by weaker performing retail assets. The portfolio is fully invested, and LaSalle continues to seek to add value through asset management initiatives. The index-linked portfolio outperformed its RPI linked target by 2.1% over the year. This portfolio is also fully invested with a mix of assets and is comfortably ahead of its inflation linked target across all timeframes.

As NILGOSC's passive manager, Legal & General has a mandate covering global equities, UK fixed income and cash. Legal & General's mandate is two-fold: to track the appropriate market index within stated tolerances for each of the index funds in which NILGOSC is invested; and to maintain NILGOSC's total asset allocation, including the portfolios managed by NILGOSC's active managers, close to the benchmark weightings and within predetermined control ranges. NILGOSC was pleased to note that Legal & General continued to perform in line with the various equity indices throughout the year.

During 2015/16 NILGOSC approved an allocation to the Private Rented Sector (PRS) as an asset class, attracted by the potential diversification benefits it would bring in conjunction with the existing property allocation. Following a review of suitable investment strategies and products, a commitment to invest £100m in the M&G UK Residential Property Fund was made in September 2016. This commitment was fully drawn down during 2018/19, and the fund delivered 4.1% return in the year, comprised of 2.1% income return and 2.0% capital return.

During the year, NILGOSC continued to implement its medium-term plan to reduce its allocation to equities through investment in a range of Infrastructure funds. During 2018/19 further funds were drawn in respect of existing and new infrastructure fund commitments as shown in the table below:

Fund Name	Committed	Drawn down at 31 March 2019
	Fund Currency	Fund Currency
Antin Infrastructure Fund II (Antin II)	€48,000,000	€38,088,706
Antin Infrastructure Fund III (Antin III)	€75,000,000	€52,096,418
Antin Infrastructure Fund IV (Antin IV)*	€75,000,000	€ -
Antin Infrastructure Fund IV Co Investments*	€25,000,000	€ -
KKR Global Infrastructure Investors Fund II (KKR II)	$60,000,000	$52,062,919
KKR Global Infrastructure Investors Fund III (KKR III)	$50,000,000	$3,464,417
DIF Infrastructure V (DIF V)	€50,000,000	€13,063,959
M&G PRS Fund	£100,000,000	£100,000,000
KKR Evergreen Co-Invest II LP	£10,000,000	£10,000,000
Coral Projects Investment LP	£7,895,932	£7,113,255
Waterloo Place (1) LP	£10,500,000	£9,750,300
Waterloo Place (2) LP	£9,012,884	£8,569,714
KKR Byzantium Infrastructure Co-Invest II LP	€9,500,000	€8,351,000
Flight Co-Invest LP*	$20,000,000	$13,444,000
Carnot Co-Invest LP*	€20,000,000	€16,780,000
KKR Starlight Co-Invest GP Limited*	€10,000,000	€10,000,000

* New commitments made during 2018/19

The Antin II, Antin III and Antin IV Funds invest in European brownfield infrastructure assets with a focus on the energy and environment, transportation, social and telecommunications sectors. Drawdowns for Antin IV are expected to commence in 2019/20. The KKR II and KKR III Funds invest in similar sectors but have exposure to North America and other regions to provide geographic diversification. DIF V is a Dutch Infrastructure Fund with a focus on regulated assets, renewable energy and social infrastructure. These funds have yet to reach the end of their initial investment periods making meaningful performance reporting difficult at such an early stage in the fund life.

As part of its strategic theme of collaboration, NILGOSC continued to work together with likeminded investors in 2018/19 to help it identify attractive infrastructure investments within its infrastructure allocation. The underlying principle behind this collaboration on alternative investments is to identify assets that are in the mutual interest of investors and their stakeholders, specifically through the benefits of scale and improved commercial terms. At 31 March 2019, NILGOSC had made a total of 6 (2018: 5) such co-investment infrastructure opportunities with Lothian Pension Fund with a total commitment of £75.7m (2018: £36.9m). A further £32.6m was invested in two infrastructure co-investment opportunities directly with Antin and there is scope for similar investments through DIF V in the future. It is intended that this co-investment strategy will sit alongside the core primary infrastructure funds to help NILGOSC build a diversified portfolio of assets in line with its strategic allocation to the asset class.

Details of NILGOSC's equity holdings and other major holdings are made available annually through the Publication Scheme, which can be accessed at www.nilgosc.org.uk

Responsible Investment

Like many responsible investors, NILGOSC faces an ongoing challenge to reconcile the need to obtain the best financial return against the desire for sound social, environmental and ethical practices.

NILGOSC's Statement of Investment Principles acknowledges that environmental, social and corporate governance (ESG) issues can affect the financial performance of investment portfolios and states that it will take such matters into consideration as part of the investment process. NILGOSC has set out its approach to ESG issues in its Statement of Responsible Investment, a copy of which is available on the NILGOSC website.

NILGOSC delegates the selection of investments to its fund managers and does not currently impose any investment restrictions with respect to ESG issues. When appointing an investment manager, NILGOSC assesses its ability to include ESG issues within the investment decision making process. Any manager not able to demonstrate such a capability will be excluded from the next stage of the selection process. After appointment, NILGOSC will monitor the managers' action in this area and will work with fund managers and the investment sector to ensure sufficient data is available to aid effective decision making.

NILGOSC does not make any investments solely for ESG reasons. Instead, it has instructed its active fund managers to take account of ESG considerations provided the primary financial obligation is not compromised. NILGOSC believes that the best contribution it can make in the arena of responsible investment is through the targeted execution of voting rights, engagement with companies on ESG issues and the promotion of ESG within the investment management industry.

Voting

As a responsible investor, NILGOSC has a legitimate interest in the management of those companies in which it invests and uses its voting rights to express concern. Proxy voting is a means of maintaining effective shareholder oversight of directors and company policies, a process on which the current system of UK corporate governance depends. Through the exercise of its voting rights, NILGOSC seeks to improve corporate ESG behaviour in the companies in which it invests in addition to the Fund's fiduciary responsibility to add value to its investments.

NILGOSC has a Proxy Voting Policy, which sets out its expectations for good corporate governance in the companies in which it invests. This document outlines NILGOSC's view on what it believes are the most important elements of good corporate governance and the principles which will be used to determine voting decisions on specific issues. It also provides a basis for communicating with investee companies and holding directors accountable for their stewardship of the company. The Policy is reviewed on an annual basis to ensure it is up-to-date with current best practice. A copy can be obtained from the NILGOSC website.

NILGOSC has appointed a third-party proxy voting partner, Minerva Analytics (previously Manifest), to provide company research and coordinate its voting activities. NILGOSC currently avails of Minerva Analytics' research and advisory services to highlight areas of potential concern or conflict with its voting policies and as an important source of information on the non-financial aspects of a company's performance.

NILGOSC exercises its voting rights at all company meetings within its actively managed equity portfolios, where possible, and will vote against management if the proposed resolutions are in conflict with NILGOSC's voting policy or where significant ESG failings are identified. In line with the UK Corporate Governance Code, NILGOSC will consider explanations put forward by companies in relation to non-compliance and will also seek the advice of its fund managers, where appropriate, before exercising its vote.

A summary of the Fund's global voting record for the year ended 31 March 2019 is shown in the following table:

	UK	North America	Rest of World
Annual General Meetings	92	196	176
Other Meetings	19	7	31
Resolutions	1,782	2,534	2,418
Votes For Management	1,476	1,386	1,481
Votes Against Management	306	1,148	933
No Management Recommendation	0	0	4

Note: for passively managed equities, votes are cast by L&G and are not included in the figures above

Further detail on NILGOSC's voting policies and activity can be found on the NILGOSC website.

Engagement

NILGOSC has undertaken to engage with companies on ESG issues, either directly or through its fund managers, and to participate in collaborative engagement activities.

All active fund managers are instructed to engage, on NILGOSC's behalf, with those companies where ESG policies fall short of acceptable standards and where this is likely to have a detrimental effect on the long-term value of the company. NILGOSC monitors the action taken in this area by its investment managers by reviewing the engagement reports provided on a quarterly basis. These reports detail company engagements undertaken, the issues engaged on and any outcomes.

Since 2010, NILGOSC has also engaged directly with many of the companies in which it invests. For companies listed in the UK or Europe, where NILGOSC intends to vote against management at a company's Annual General Meeting, a letter will be issued to the company to advise of the voting decisions and to provide a rationale. In 2018/19, NILGOSC issued engagement letters to 87 UK companies and 54 other European companies where votes were cast against management recommendations.

Demonstrating its commitment to responsible investment practices, NILGOSC has been a signatory to the United Nations Principles of Responsible Investment (PRI) since 2007. NILGOSC reports on its implementation of the Principles for Responsible Investment through the PRI reporting framework on an annual basis. The framework assesses the organisation's overarching approach to responsible investment, the integration of responsible investment in manager selection, appointment and monitoring and active ownership within asset classes, including engagement and proxy voting. In July 2018, NILGOSC received its assessment report for the year ended 31 March 2017. The results of this year's assessment were positive with NILGOSC improving on the previous year's scores in several areas and continuing to perform either in line with or ahead of its peers in each of the areas assessed. NILGOSC submitted its latest assessment in April 2019, for the year ended 31 March 2018, and will receive the outcome later in the year.

NILGOSC believes that it can have a bigger impact on the ESG practices of companies by participating in collaborative engagement with like-minded investors than by acting alone. NILGOSC participates in the UK Pension Scheme Responsible Investment Roundtable, a collective group of public and private sector UK pension funds who work together to promote responsible investment, and in PRI facilitated and other collaborative engagements, where appropriate.

In 2014/15, NILGOSC became a supporting investor in a collaborative engagement with other PRI signatories on water risks in agricultural supply chains which focused on listed companies in the food, beverage, apparel, retail and agricultural product sectors. The objective of this engagement was to improve the awareness, management and disclosure of water risks in agricultural supply chains. The first phase of this engagement came to an end in June 2017 and an Investor Guide was published by the PRI (in partnership with WWF) in March 2018. NILGOSC became a supporting investor to phase 2 of the engagement in April 2018. The second phase of this engagement focuses on companies whose performance lagged behind their leading peers in this area.

Climate Risk

Of all the ESG risks facing investors, climate change has arguably the greatest potential for widespread impact across individual corporations, sectors, asset classes and economies. As a long term investor, a changing climate presents significant long-term risks to the value and security of pension scheme investments and capital markets more broadly.

The changing climate presents a variety of risks and opportunities for pension fund investors. Investment practices should therefore seek to protect assets from climate risks such as weather events and regulatory change, while simultaneously seizing the new opportunities that a low-carbon economy presents. NILGOSC has developed its Climate Risk Statement which acknowledges the importance of climate risk as an investment issue and sets out the steps which will be taken to address it.

NILGOSC is an investor signatory to the Carbon Disclosure Project (CDP). CDP seeks to improve the management of environmental risk by encouraging listed companies to measure and disclose environmental information. It does this by issuing annual questionnaires on behalf of its investor signatories, requesting standardised climate change, water and forest information. In January 2019, NILGOSC renewed its commitment to CDP, signing up to their Climate Change, Forests and Water programmes as well as the Carbon Action initiative for 2019. NILGOSC was also a signatory to CDP's 2018 Non-discloser campaign, which aims to further encourage companies to disclose. The campaign focused on companies that had never responded or had not responded to the CDP questionnaire in recent years. The campaign proved successful with CDP receiving a 23% increase in new submissions and, in March 2019, NILGOSC signed up to the 2019 Non-discloser campaign.

In May 2018, NILGOSC signed the Investor Agenda's 2018 Global Investor Statement to Governments on Climate Change, calling on world governments to achieve the Paris Agreement's goals, accelerate private sector investment into the low carbon transition and commit to improve climate-related financial reporting. By December 2018, the statement had been signed by 420 investors managing over US$32 trillion.

During the year, NILGOSC was also a signatory to a PRI facilitated letter to the International Organization of Securities Commissions (IOSCO) highlighting investors' growing need for consistent and comparable disclosure of corporate ESG information.

In November 2017 NILGOSC registered as a founding supporter signatory of the Climate Action 100+, a five-year investor-led initiative to engage more than 100 of the world's largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change risks. In February 2019, along with other supporters of Climate Action 100+, NILGOSC co-filed a shareholder resolution at BP plc, calling on the company to demonstrate that its strategy is consistent with the Paris Agreement goals. This resolution was passed with over 99% shareholder support in May 2019.

A list of recent engagements and initiatives is available on the NILGOSC website.

NILGOSC is also a signatory to the UK Stewardship Code. The Stewardship Code, first published by the Financial Reporting Council (FRC) in July 2010, was revised in September 2012. It is a principles-based Code, comprising seven principles that aim to improve engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. NILGOSC first published its UK Stewardship Code Statement of Adherence in September 2010, and it was most recently reviewed in July 2017.

In 2016 the FRC introduced the tiering of Stewardship Code Signatories. Signatories were assessed according to the quality of their Statements of Adherence to the code and asset owner signatories were categorised into two tiers. NILGOSC has been categorised as a Tier 1 Signatory. According to the FRC, Tier 1 indicates that "Signatories provide a good quality and transparent description of their approach to stewardship and explanations of an alternative approach where necessary"[1] and Tier 2 indicates that "Signatories meet many of the reporting expectations but report less transparently on their approach to stewardship or do not provide explanations where they depart from provisions of the Code."[1] NILGOSC also requires its fund managers to confirm they are signatories and to provide copies of their Statements of Compliance.

[1] https://frc.org.uk/Our-Work/Corporate-Governance-Reporting/Corporate-governance/UK- Stewardship-Code/UK-Stewardship-Code-statements/Asset-Owners.aspx

(IV) LONG TERM EXPENDITURE TRENDS

The tables below illustrate key trends for the last four years.

Key Financial Information

	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000
Income				
Members contributions and transfers in	287,224	267,466	268,649	266,808
Investment income	97,279	110,634	73,915	87,854
Benefits paid				
Retirement pension	(186,314)	(173,067)	(163,836)	(153,362)
Lump sum retirement benefits	(56,408)	(49,711)	(62,177)	(62,400)
Death benefits and leavers	(12,562)	(12,554)	(10,605)	(9,928)
Other expenditure				
Administration expenses	(5,545)	(3,090)	(6,281)	(3,803)
Investment management expenses	(18,472)	(19,823)	(19,267)	(18,304)
Net Assets				
Net Assets	8,039,948	7,549,197	7,082,982	5,820,140
Change in market value of investments	385,094	346,160	1,184,479	(108,278)

Membership Statistics

	2018/19	2017/18	2016/17	2015/16
Active members	61,513	56,727	54,546	53,724
Deferred members	31,646	30,841	30,853	28,721
Current pensioners of whom:	36,788	35,019	33,395	31,581
Retired employees	31,090	29,457	28,026	26,326
Widows/widowers/dependants	5,698	5,562	5,369	5,255
Total	129,947	122,587	118,794	114,026

Member contributions and transfers-in for the year ended 31 March 2019 show an increase on the previous year consistent with the increase in membership, the average 2% increase in pay settlements in 2018/19 and most significantly the employers increase in contributions percentage of pensionable pay up from 18% in 2017/18 to 19% in 2018/19. Employer contributions as a percentage of pensionable pay reduced to 18% for 2017/18 with the introduction of an additional fixed monetary amount payable in respect of deficit recovery. There was no significant increase in overall contributions in 2017/18 as the contribution rate dropped from 20% in 2016/17 but the introduction of the deficit recovery fixed contribution ensured that the overall contribution impact was minimal.
This increase was offset by significantly higher special contributions payable in 2016/17 as a result of a greater number of employing authorities ceasing during that year.

Investment income is a feature of the individual investment strategies which at present include a mix of growth and income styles. In terms of recent historical trends, investment income showed a decrease in 2016/17 resulting mainly from foreign exchange losses on forward currency contracts used within the bond portfolio. In 2017/18 gains/losses on forward currency contracts were reclassified and included within the change in market value of investments resulting in a significant increase between 2016/17 and 2017/18. This increase in 2017/18 was also driven by a very strong global equity performance in 2017/18. The 2018/19 decrease is somewhat driven by the reduction in dividend income from equities but also the transfer of a UK equity mandate to the Legal & General passive fund in March 2018.

Retirement pension payments have shown an increase year on year as a result of the increase in the number of pensioners and also the annual pensions increase applicable in April each year, with the exception of April 2016 when the pensions increase was 0%.

Lump sum retirement benefits increased significantly in 2015/16 and 2016/17 as a result of the increase in retirements through public sector voluntary exit schemes (VES). In 2017/18 there was a marked decrease in the number of public sector voluntary exit scheme retirements processed by NILGOSC. In 2018/19 the retirements have increased on the 2017/18 figures although not to the extent processed in the first two years of VES.

Although the death benefits and payments to leavers have stayed fairly consistent in the last two accounting periods this is not expected to conform to a predictable pattern as it is related to the number of member deaths, the number of leavers requesting refunds and the value of death benefits and refunds payable.

Administration expenses have shown an increase since 2015/16 as a result of the cost of additional resources required to meet the additional demand arising from early exit schemes. In addition, in 2016/17 the provision and write off of employing authority debt resulted in a significant increase in administration expenses. The exclusion of this amount brings 2016/17 administration expenses to £4,348k. After adjusting for a debt provision in 2017/18, the administration expenses total was aligned to 2016/17 at £4,393k. After adjusting for 2018/19 debt provision of £846k in 2018/19 there was an increase of £306k (7%) on the 2017/18 total. The increase is driven by staff cost increases due to an uplift in the employer pension contribution rate and pay settlement increases and IT support and maintenance costs for the pension administration system. The balance of the additional expenditure was on actuarial and other professional fees in part driven by preparation for the 2019 triennial fund valuation.

Investment management expenses vary from year to year as they are based on the market value of investments held and in some cases include a performance based fee element. The increase in fees in 2016/17 is attributable to investment management expenses relating to NILGOSC's new infrastructure investments, which due to their complex nature attract higher management fees than equity investments. The increase in fees in 2016/17 is mainly attributable to the impact of the adjustment made to correctly classify infrastructure investment fees as investment management expenses. NILGOSC negotiated fee reductions with two of its Fund Managers 2017/18 which has had a full year impact in 2018/19. The poor performance of one of the global equity managers also contributed to the reduction in investment management expenses in 2018/19.

David A Murphy

David Murphy
Chief Executive and Secretary
27 August 2019

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

(I) INTRODUCTION

The Corporate Governance Report explains the composition and organisation of NILGOSC's governance structures and how they support the achievement of the entity's objectives. The report begins with a Chief Executive's Report which sets out the composition of the Management Committee and a Statement of Accounting Officer's Responsibilities in respect of the preparation of the accounts. It concludes with the Governance Statement which sets out how the Accounting Officer's duties in relation to internal control and the safeguarding of public funds and departmental assets have been carried out through the financial year and includes an assessment of the corporate governance and risk management systems in place within NILGOSC.

(II) CHIEF EXECUTIVE'S REPORT

Chief Executive and Secretary

Mr David Murphy, the Chief Executive and Secretary, is responsible for the administration of the Scheme and reports to the Committee on a monthly basis.

The Permanent Secretary for the Department for Communities has designated the Chief Executive and Secretary as the Accounting Officer for NILGOSC. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officer Memorandum, issued by the Department for Communities. The Accounting Officer is also responsible for safeguarding the assets of NILGOSC and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

Committee Members

The Management Committee (which is similar to a board of directors or trustees) consists of a chairman, five members nominated by employers' organisations, five members nominated by employees' organisations and two independent members. In addition, the Department has appointed an observer who may attend the meetings of the Management Committee and Audit Committee.

The Committee members are appointed by the Minister for a four year term and may be reappointed for a second four year term at the Minister's discretion. The table below shows the composition and term of office of Committee members during 2018/19:

	Term	Term of Office
Trevor Salmon	Second *	1 July 2009 - 31 Dec 2018
Peter Caldwell	Second **	1 Oct 2011 - 30 Sept 2019
Joseph Donaghy	Second *	1 July 2009 - 31 Dec 2018
Bumper Graham	Second *	1 July 2009 - 31 Dec 2018
Tom Irvine	Second	1 Mar 2012 – 29 Feb 2020
David Jackson	Second **	1 Oct 2011 - 30 Sept 2019
Celine McCartan	Second *	1 July 2009 - 31 Dec 2018
Peter McMurray	Second **	1 Oct 2011 - 30 Sept 2019
Sharon McQuillan	Second	1 July 2012 - 30 June 2020
Linda Neilan	Second **	1 Oct 2011 - 30 Sept 2019
Lindsay Todd	Second	1 May 2013 – 30 June 2022
Joan McCaffrey	First	1 Mar 2016 - 29 Feb 2020

*   The maximum permitted term of office of four members, including the Chairman, ended on 31 December 2018.

**   Members were advised on 23 July 2019 by the Secretary of State for Northern Ireland that their term would be extended for up to six months.

Five positions remained vacant at 31 March 2019. On 1 May 2019, the Secretary of State for Northern Ireland appointed Lindsay Todd as Chair, Mark McBride as an independent member and Paddy Mackel as an employee representative member. These appointments were effective from 1 May 2019 and are for a four year term.

The biographies of the Committee members who served throughout the year are set out on the following page.

CHAIRMAN

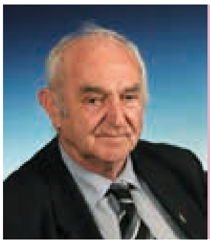
Mr Trevor Salmon OBE was previously the Deputy Chief Executive and Director of Corporate Services in Belfast City Council. In addition to his Chairmanship of NILGOSC he is a past national Council member of the Chartered Institute of Public Finance and Accountancy. He is also a member of the Solicitors' Disciplinary Tribunal, the Appeal Service NI, ACCA Disciplinary Panel and an independent member of the Audit Committee of the Education Authority.

DEPUTY CHAIRMAN

Mr Tom Irvine was previously a part-time Pensions lecturer for the North West Regional College, the Pension Tutor for Unite the Union in Northern Ireland and a Trustee Director of the Visteon (UK) Pension Scheme until it transferred to the Pension Protection Fund (PPF) in February 2012. Tom is currently an Independent Assessor for Public Appointments in Northern Ireland and a Lay Representative on NIMDTA (Northern Ireland Medical & Dental Training Agency).

COMMITTEE MEMBERS

Mr Peter Caldwell is Treasurer of Apex Housing Association Board of Management and a member of the NI Federation of Housing Associations Board (NIFHA). Previously he was Senior Manager with the former Western Health and Social Services Board with responsibility for business planning and performance management.

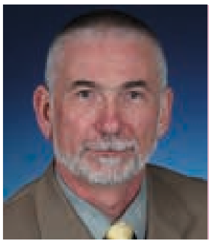


Mr Joseph Donaghy MBE is the former Northern Ireland UNISON Regional Head of health, local government and education.

Mr Bumper Graham is the former Deputy General Secretary of the Northern Ireland Public Service Alliance (NIPSA). He is currently Chairperson of NIC-ICTU Public Service Pensions Group and Joint Chairperson of the Department of Finance and Personnel Public Service Pensions Central Consultative Group. He is a member of the NICS Pensions Board and a member of the NICS Pension Scheme Advisory Board, likewise he is a member of the LGPS(NI) Pension Scheme Advisory Board. Bumper is a member of the Local Government Staff Commission.

Mr David Jackson MBE is the Chief Executive of Causeway Coast and Glens Borough Council. He was previously the Head of Support Services at Coleraine Borough Council, prior to which he was a senior manager with PricewaterhouseCoopers.

Ms Celine McCartan MBE is Director of Corporate Services and Governance at Fermanagh & Omagh District Council, having previously held the position of Deputy Director at the South West College. She is a Fellow of the Institute of Chartered Accountants in Ireland and a Chartered Member of the Institute of Personnel and Development. Celine is also a member of a number of School Governing Bodies and was previously a member of the NI Teachers' Pension Scheme Board.

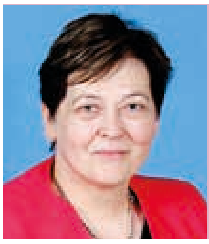


Mr Peter McMurray is Lead Representative in Education for GMB the Union. He is also Branch Secretary and represents the GMB in a number of associated Councils, Committees and Forums.

Mrs Linda Neilan is Group Accounting Manager and Senior Finance Business Partner for Translink with responsibility for management and financial accounting, payroll and ticketing. A Fellow of Chartered Accountants Ireland, Linda spent her early career with Deloitte and is currently a member of the LGPS (NI) Scheme Advisory Board.

Mr Lindsay Todd has lengthy experience in the pension fund industry and was, until his retirement, an equity partner in PWC. He currently serves on the NI Judicial Appointments Commission, the advisory committee to the NI Central Investment Fund for Charities and is a member of the NI Investment Fund Scrutiny Board. He is also a member of the Investment Committee at Queens University Belfast together with the Disciplinary Panel of the Chartered Accountants Regulatory Board in Ireland. He sits as a member of the NI Development Board of Marie Curie.

Mrs Sharon McQuillan is the Payroll/Pension Manager for Causeway Coast and Glens Borough Council, where she is also a Trade Union Representative. Previously Sharon held a number of financial roles in other Councils.



Ms Joan McCaffrey was previously the Director of Corporate Services and Governance at Fermanagh and Omagh District Council. She is a Fellow of the Chartered Institute of Management Accountants.

Declaration of Interests

In order to achieve the maximum degree of openness and impartiality, the Committee maintains a register of Committee Members' and Officers' Interests.
The register is open for inspection at the Committee's offices and is available on NILGOSC's website at www.nilgosc.org.uk.

Personal Data Related Incidents

NILGOSC records all personal data related incidents and makes an assessment against the Information Commissioner's Office (ICO) guidance to determine whether an incident is significant and/or serious enough to warrant reporting. Following the implementation of GDPR and the Data Protection Act in 2018, the ICO updated its guidance in relation to what should be considered when assessing a data breach. The assessment needs to consider the likelihood and severity of the risk to people's rights and freedoms. Previously the assessment was based on the seriousness of the breach and the number of people affected. The new guidance has resulted in an increase in minor data breaches being assessed as reportable.

In the year ended 31 March 2019, eight data incidents were assessed as reportable in line with the new guidance and 13 minor incidents were assessed as non-reportable. The ICO confirmed that no further action was necessary in relation to any of the reportable incidents as it did not consider the incidents to have met the criteria for regulatory action or the data to be classed as sensitive.

(III) STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997, as amended, the Department for Communities has directed the Northern Ireland Local Government Officers' Superannuation Committee to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Northern Ireland Local Government Officers' Superannuation Committee and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Department for Communities, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Department for Communities has appointed David Murphy as Accounting Officer of the Northern Ireland Local Government Officers' Superannuation Committee. 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 Northern Ireland Local Government Officers' Superannuation Committee's assets, are set out in Managing Public Money Northern Ireland published by the Department of Finance.

(IV) GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

1. Introduction

As Accounting Officer for the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC), I am responsible for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, while safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money NI (MPMNI).

This Governance Statement sets out how these duties have been carried out through the financial year ended 31 March 2019 and includes an assessment of the corporate governance and risk management systems in place within NILGOSC, that have ensured these responsibilities have been met.

This Governance Statement has been prepared in line with guidance issued by the Department of Finance (DAO (DFP) 10/12) and contained within Annex 3.1 of MPMNI.

2. The Governance Framework 2018/19

NILGOSC is a non-departmental public body (NDPB) sponsored by the Department for Communities ("the Department"). NILGOSC has worked with the Department during 2018/19 to ensure the specific requirements as a NDPB have been met.

NILGOSC is the corporate body responsible for the administration of the Local Government Pension Scheme in Northern Ireland (the Scheme) and its functions and responsibilities are laid down in the Local Government Pension Scheme Regulations (Northern Ireland) 2014. With effect from 1 April 2015, the Management Committee was designated as the Pension Board for the Scheme in accordance with the Local Government Pension Scheme (Governance) (Amendment) Regulations (Northern Ireland) 2015 (the Governance Regulations).

A Management Statement is in place with the Department which sets out the broad framework within which NILGOSC will operate in administering the Scheme and in the exercise of its functions, duties and powers. An associated Financial Memorandum is also in place with the Department, which sets out certain aspects of the financial framework within which NILGOSC is required to operate, in accordance with MPMNI. NILGOSC complied with the conditions and requirements in the Management Statement and the Financial Memorandum during the financial year ended 31 March 2019.

2.1 The Management Committee

The Management Committee ("the Committee") is charged with performing the relevant functions assigned to it by the Regulations and ensuring compliance with the provisions set out in both the Management Statement and Financial Memorandum.

As the Pension Board, the Committee's role is to assist with:

- securing compliance with the Governance Regulations;
- securing compliance with any other legislation relating to the governance and administration of the Scheme and requirements imposed by The Pensions Regulator (TPR) in relation to the Scheme; and
- the effective and efficient governance and administration of the Scheme.

The Committee is responsible for establishing the organisation's overall strategic direction, ensuring that it operates within the limits of its statutory authority and agreeing corporate targets. The work and responsibilities of the Committee are set out in the Management Committee Terms of Reference and the Delegations of Authority. Standing items considered by the Committee include:

- Management Accounts and summary of investments
- Annual Report and Budget
- Fund Manager performance reports
- Corporate performance reports
- Departmental Assurance Statements
- Reviews of the risk management framework
- Stage II complaints
- New and revised policies
- Secretary's report on operational matters and project updates

A sub-committee structure supports the Committee, comprising the Audit and Risk Assurance Committee (ARAC) and the Staffing Committee. Following each sub- committee meeting, the relevant Chairperson provides a verbal report to the Committee.

The Committee consists of a Chairman, five members who are representative of employers' organisations, five members who are representative of employees' organisations and two independent members. The Committee Members are appointed by the Minister via the public appointments process, for a standard four-year term.

The terms of office for the Chairperson and three members of the Committee expired in December 2018. A recruitment exercise had been undertaken in 2017 to replace the outgoing Chairperson and members but appointments had been delayed due to the absence of a Minister to make public appointments. In April 2019, the Secretary of State was given powers to make public appointments in the absence of a Minister through The Northern Ireland (Ministerial Appointment Functions) Regulations 2019. Subsequently, a new Chairperson, an independent member and an employee representative were appointed to the Committee on 1 May 2019.

The Committee is currently operating with three vacancies – an employer representative, an employee representative and an independent member.
A recruitment exercise is planned for summer 2019 to fill these and future vacancies. Details on terms of membership and re-appointments to the Committee during 2018/19 are set out in the Chief Executive's Report on page 50. A register of Committee Members' interests is maintained and published on the NILGOSC website.

The Committee normally meets on a monthly basis with the exception of July, April and October. The Department has appointed an observer who may also attend meetings of the Committee and the ARAC. Minutes of all Committee and sub-committee meetings are recorded. When approved, copies of the Committee meeting minutes are published on the NILGOSC website at http://www.nilgosc.org.uk/minutes-of-committee-meetings.

The Committee met nine times during 2018/19. In addition, four ARAC meetings were held during the year. The Staffing Committee met once in March 2019. A schedule of membership and attendance for the 2018/19 financial year is shown in the following table.

	Management Committee		**Audit & Risk Assurance Committee**		**Staffing Committee**	
	Called	**Present**	**Called**	**Present**	**Called**	**Present**
Trevor Salmon*	6	5	-	-	-	-
Bumper Graham*	6	4	3	2	-	-
Celine McCartan*	6	6	-	-	-	-
Joe Donaghy*	6	6	-	-	-	-
Linda Neilan	9	9	4	4	-	-
David Jackson	9	4	-	-	1	1
Peter Caldwell	9	8	-	-	1	1
Peter McMurray	9	9	-	-	1	1
Tom Irvine	9	9	4	3	-	-
Sharon McQuillan	9	9	-	-	1	1
Lindsay Todd	9	9	4	4	-	-
Joan McCaffrey	9	9	4	4	-	-
Avg.% Attendance		**91%**		**89%**		**100%**

* Term of Appointment ended on 31 December 2018.

All new Committee Members receive induction training and are provided with a Committee Member Handbook, which contains key documents, policies and guidance relevant to NILGOSC and the role of a Committee Member. The Committee Member Handbook can also be accessed on NILGOSC's website. A *Committee Member Knowledge Framework* is in place that sets out the skills and knowledge a Committee Member should possess or acquire to be an effective Committee Member. Committee Members are also required to complete The Pensions Regulator *Public Service Toolkit.*

All Committee Members must attend On-Board training and are encouraged to meet an annual target of 40 hours continual professional development. Relevant training opportunities are highlighted to Committee Members and Committee training is organised to meet training needs identified through the training needs self-assessment. The latest training day was held on 2 April 2019 and other training was held during 2018/19. Training records are maintained and updated on a quarterly basis.

2.2 The Audit and Risk Assurance Committee (ARAC)

The ARAC provides a forum for the scrutiny of NILGOSC's corporate governance, risk and internal control systems and promotes a climate of robust financial discipline and control. It has formally agreed *Terms of Reference*, which are reviewed on an annual basis. The ARAC comprises nominated Committee Members, at least one of whom is required to have recent, relevant financial expertise. Meetings are held on at least a quarterly basis and are attended by Internal and External Audit, as well as a Departmental representative.

The ARAC has access to all internal audit reports, risk registers and management reports and considers all external financial and governance reporting. Standing agenda items for consideration by the ARAC include:

- Quarterly review of the risk register and system of internal control
- Fraud and Whistleblowing reports

- Internal audit reports and annual opinion
- Progress against internal audit recommendations
- New or revised governance policies
- Departmental Assurance Statements
- Department of Finance (DoF) and Departmental guidance (eg. DAOs)

The ARAC reports on the discharge of its duties to the Committee on an annual basis. It also considers and provides an opinion on the Governance Statement and recommends the Annual Report and Accounts to the Committee for approval.

2.3 Risk Management and 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 and prioritise the risks to the achievement of the Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. A robust system of internal control has been in place in NILGOSC for the year ended 31 March 2019 up to the date of approval of the Annual Report and Accounts, which accords with Department of Finance guidance. A full description of NILGOSC's risk management process and the assessment of risks during 2018/19 is provided in section 6 of this Statement.

2.4 Corporate and Business Planning

Like most organisations, NILGOSC has established a strategic planning process which allows it to identify and achieve its long-term strategic objectives. A key part of this process is the triennial strategic review, during which the organisation's vision, mission, values and strategic aims are subjected to a thorough review and stakeholder consultation to ensure that they remain relevant and reflective of the current operating environment. In the intervening period between strategic reviews, NILGOSC reviews and updates its operational business plans annually to help plan resources and measure performance.

NILGOSC commenced its latest strategic review in April 2018, which concluded in September 2018 with the agreement of its revised Vision, Mission, Values, Strategic Aims and Objectives. The revised strategy was used in the development of the Corporate Plan 2019/20-2021/22. The Corporate Plan sets out NILGOSC's objectives over a three-year period together with the appropriate targets and key performance measures. The Senior Management Team (SMT) reviews performance against objectives and key performance measures on a quarterly basis and this is reported to the Committee and sponsor Department. Performance against the Corporate Plan is also reported in the Annual Report at the end of each financial year. The Corporate Plan is reviewed and revised annually (most recently in February 2019) and published on the NILGOSC website.

3. Compliance with the 'Corporate Governance in Central Government Departments: Code of Practice NI 2013'

On 19 April 2013, DoF issued the updated 'Corporate Governance in Central Government Departments: Code of Practice NI 2013' with DAO (DFP) 06/13. The Code is written for central departments and, as such, is not entirely relevant to NILGOSC as a NDPB. However, all NDPBs are encouraged to consider and adopt the practice set out in the Code wherever it is relevant and practical and suits their business needs. I have considered the principles within the updated Code and confirm that these have been applied in so far as is relevant or applicable to NILGOSC.

No significant actual or potential conflicts of interest were identified during 2018/19.

4. Compliance with The Pensions Regulator (TPR) Code of Practice 14: Governance and Administration of Public Service Pension Schemes

Since 2015, TPR has been responsible for the regulation of Public Service Pension Schemes. The Code of Practice 14 sets out best practice guidance that Schemes are expected to adhere to in relation to governance and administration. NILGOSC aims to comply to the highest standards of governance and administration and aims to comply with the aspects of the Code, where appropriate. Since implementation of the Code, NILGOSC has completed the TPR's annual Governance and Administration survey, which monitors compliance of Schemes against the requirements of the Code. In addition to this, NILGOSC also submits an annual Scheme return, which provides updated Scheme information to TPR.

One of the new requirements of the Code was the introduction of reporting breaches of the law to TPR. NILGOSC developed and implemented a Breach Reporting Procedure for the assessment and reporting of breaches. In line with this, one breach was assessed as materially significant and reported to TPR during 2018/19. This breach related to administration of the Scheme and the flow of information from an employing authority. NILGOSC has been engaging with TPR and the employing authority to address the breach.

During 2018/19, TPR conducted an in-depth engagement with a sample of Local Government Pension Schemes

(LGPSs) across the UK. NILGOSC participated in this engagement with TPR between October 2018 and January 2019 to provide information and discuss the governance and administration arrangements for the LGPS NI. On completion of the engagement, TPR informed NILGOSC that it was pleased with the governance and administration processes in place, highlighting some particular areas of best practice, and thanked NILGOSC for participating in the engagement in an open and transparent way.

5. Departmental Approvals

In line with the DoF Pay Remit approval process and the National Joint Council pay settlement for 2018/19 and 2019/20, the Department of Finance approved the 2018/19 pay remit on 24 July 2018. Approval in respect of the 2019/20 pay remit was received from the Department for Communities (DfC) on 10 May 2019.

NILGOSC received approval from the Department of Finance on 30 March 2018 and 7 June 2019 for the write-off of bad debts. These write-offs are detailed in the Assembly Accountability Report on page 68.

6. Risk Assessment

NILGOSC's Risk Management Policy sets out the organisation's risk control framework and appetite to risk. NILGOSC has an open/cautious appetite to risk taking, with the exception of compliance risks, where its appetite is risk averse. However, this does not prevent NILGOSC from identifying opportunities to improve and implement efficiencies. Risk appetite is incorporated into NILGOSC's risk management process and risk register.

The risk control framework provided a consistent basis to identify, monitor and report risks and to progress strategies to manage these risks during 2018/19. A dedicated risk owner is assigned at management level to each risk to provide clear lines of accountability across the organisation. Risk owners review the risks that have been assigned to them on a quarterly basis and submit a Statement of Assurance to confirm that the existing controls are still effective and whether or not the risk score needs to be re-assessed. The SMT considers these Statements during its quarterly review of the risk register and makes changes to the risk scores, if necessary. A report and any revisions to the risk register are considered by the ARAC prior to submission to the Management Committee for approval.

The outcome of the quarterly risk reviews is also used to inform completion of Departmental Assurance Statements. As required, NILGOSC completed and submitted its Assurance Statements for the 6 months ended 30 September 2018 and 31 March 2019.

The quarterly risk reviews and subsequent reports provided during 2018/19 resulted in an increase in the score of two risks. These changes to the risk register were approved by the Management Committee. No new risks were added to the risk register or changes made to the risk appetite during 2018/19.

In addition to quarterly reviews of the risk register, a comprehensive annual review of the risk register is undertaken at the beginning of the financial year to review the existing risks and also to identify any new or emerging risks. The annual review for 2019/20 was carried out on 1 May 2019. The review included consideration of challenges facing NILGOSC in 2018/19, including the ongoing uncertainty of the external political environment, regulatory changes, including the outcome of the McCloud judgement and potential cost cap implications and ongoing projects to enhance information systems and business processes. It is acknowledged that 2019/20 will continue to be a busy period for NILGOSC and involve competing priorities for managers and staff. The SMT considered that the uncertainty surrounding the issues of regulatory changes in relation to the McCloud case, the cost-cap and GMP equalisation, and the potential impact this could have on NILGOSC to deliver its organisational objectives, warranted inclusion as additional risks to the risk register. Therefore, two new risks were added to the 2019/20 register. All existing risks were reviewed and risk scores amended as appropriate. The Risk Register 2019/20 contains 49 risks in total, nine of which are categorised as strategic risks that could impact on the long-term achievement of the organisation's strategic objectives and three of which are categorised as key risks due to their associated risk appetite.

NILGOSC implemented improvements and made good progress during 2018/19 in addressing those risk issues identified at the beginning of the year, particularly in relation to having a team in place to work with HMRC in relation to GMP requirements, making appropriate preparations in time for the implementation of GDPR in May 2018, implementing the My NILGOSC Pension *Online* portal to allow members direct access to pension records and continuing to deliver a high quality service to its members and pensioners. Looking forward to 2019/20, NILGOSC will have a number of challenges to manage as detailed above. These challenges and any new or emerging risks will be reviewed on an ongoing basis through the risk management process set out above and appropriate plans will be put in place to effectively manage any risks within the existing risk and internal control framework.

6.1 Business Continuity

NILGOSC has a Business Continuity Plan (BCP) and disaster recovery arrangements in place, which it formally tests on an annual basis. NILGOSC has made a number of enhancements to its IT infrastructure in the last number of years to improve disaster recovery, including virtualisation of systems and enhanced replication services. In 2018, NILGOSC implemented an online portal for members and in 2020 will implement another online portal for the exchange of information with Scheme employers. Therefore, the focus of the annual BCP test for 2018/19 was to test the robustness of the IT security measures in place to protect NILGOSC's systems from external attack.

NILGOSC appointed an external expert to undertake a penetration test of its internet facing and other systems within the perimeter network. The overall risk determined by the external penetration test was deemed to be low and the conclusion was that the general security measures of NILGOSC's IT Infrastructure are relatively mature. No significant issues were identified and some minor areas for improvement are being taken forward.

6.2 Fraud and Whistleblowing

NILGOSC participates in the National Fraud Initiative's (NFI) biennial data matching exercises for the purposes of assisting in the prevention and detection of fraud. NILGOSC took part in the NFI 2018/19 data matching exercise during the year. Matches were received in January 2019 and significant progress has been made in investigating and resolving these matches. No cases of actual or suspected fraud have been identified through the exercise to date. An update in relation to the NFI exercise is provided in the Performance Report on page 15.

All cases of suspected or actual fraud are investigated in line with NILGOSC's Anti-Fraud Policy and all cases of malpractice, unlawful conduct or wrongdoing are investigated and reported to the PSNI and the Department. NILGOSC also has a Whistleblowing Policy to allow any such cases to be raised confidentially. Both policies are regularly reviewed, most recently in 2017, and these are made available to all staff.

During 2018/19, there was one case of suspected fraud in relation to pension payroll identified. No incidents were raised through the Whistleblowing Policy.

6.3 Information risks

NILGOSC takes information security seriously and operates a strong control environment for the handling of personal data to ensure compliance with relevant data protection legislation. A robust Information Security Policy, technical safeguards and procedures are in place to protect the security of information. NILGOSC has a secure email software platform in place to ensure personal information with external parties is sent securely and penetration testing is carried out to ensure the security of internal and external connections to NILGOSC systems. Data protection and information security is a key part of induction training for all new staff, which is signed off on completion. Refresher training is also provided on a regular basis via an e-learning module.

The General Data Protection Regulation (GDPR) and the UK Data Protection Act 2018, became effective on 25 May 2018. NILGOSC made extensive preparations in advance of this date to ensure systems and processes were updated accordingly to ensure compliance with the new legislative requirements and to provide appropriate training to staff. In line with the requirements for a public body, NILGOSC has a nominated Data Protection Officer and in November 2018, NILGOSC's Head of Governance & Support Services completed training to be an accredited GDPR Practitioner.

A number of minor personal data incidents or potential breaches were identified in 2018/19. None of these breaches constituted a significant breach of sensitive data, in accordance with the Information Commissioner's Office guidance. An update in relation to personal data related incidents in 2018/19 is provided in the Accountability Report on page 53.

7. Review of Effectiveness of the Governance Framework

As Accounting Officer, I review the effectiveness of the governance framework, including risk management and the system of internal control on at least an annual basis. The review of effectiveness is informed by the work of the senior managers within NILGOSC who have responsibility for the development and maintenance of the control environment, the regular reviews by the Committee of financial and investment performance, the Committee's review of its effectiveness and the information it receives, the Internal Auditor's Annual Statement of Assurance and the opinion provided by the External Auditor. Assurance reports on internal controls from the auditors of fund managers and the Global Custodian are also considered as part of this review.

7.1 Highlights of Committee and ARAC Meetings

The standing agenda items for Committee meetings have been set out in section 2.1. In addition to these, other important areas considered by the Committee during 2018/19 are set out below:

- Strategic Review of objectives
- Appointment of four new investment managers
- Committee vacancies and decision making including the selection of a Deputy Chairperson and quorum for Committee meetings
- Committee Effectiveness Framework Self-Assessment for the period
- An amendment to the Infrastructure Strategy
- Review of fund manager costs

- Approval of a new AVC Fund offered by Prudential
- Modification to the Actuarial Services contract to allow the current supplier to complete the 2019 Triennial Valuation work
- Review of the Banking and Treasury Management Policy including Modification to the Banking Contract
- TPR's Public Service Pension Scheme Governance and Administration Survey
- Year-End Write-Offs in relation to employing authority debt in the period
- Review of contracts awarded without competition

The standing agenda items considered by the ARAC have particular importance in ensuring that the risk management and internal control systems in NILGOSC are sound and operating effectively. The highlights and key issues considered by the ARAC during 2018/19 are set out in its Annual Report, which is provided on pages 116 to 118 of this report.

The ARAC undertakes an annual review of its effectiveness. The review undertaken for 2018/19 demonstrated that, overall, the ARAC had been effective in ensuring that NILGOSC has functioned according to good governance and accounting and auditing standards and has adopted appropriate risk management arrangements during the period under review.

7.2 Committee Performance

NILGOSC has a Committee Effectiveness Framework, which aims to identify areas of Committee performance that are strongest and those that need improvement and to identify priority areas for the Committee to focus on improving effectiveness. A key feature of the Framework is a self-assessment questionnaire, which is completed online anonymously and focuses on the following eight key sections:

- Committee Composition and Function
- Committee Meetings and Support
- Strategic Planning and Performance Measurement
- Financial Management
- Risk, Audit and Governance
- Pension Administration
- Investment of the Fund
- Communication and Engagement with Key Stakeholders

The outcome of the evaluation for 2018/19 demonstrated that, overall, the Committee is set up and operates effectively in the key areas set out above and that effective processes are in place to ensure robust monitoring of NILGOSC and its performance.

In line with best practice, an independent review of Committee effectiveness for 2018/19 was undertaken by ASM. This review assessed effectiveness against the areas of board composition and functioning, board dynamics and behaviours, governance documentation, Committee meetings, strategic planning and performance and communication. The review was completed in April 2019 and concluded that the Committee demonstrated a high level of board effectiveness across all these areas.

7.3 Provision of Information and Data to the Committee

The Committee is provided with detailed papers for every meeting, which include all relevant background information, facts and figures necessary to fully inform Committee Members on each agenda item. Some examples of the types of information provided to the Committee on a routine basis include:

- Management Accounts
- Summary of investments
- Receipts and payments analysis
- Investment performance figures and analysis
- Fund Manager briefing reports
- Quarterly investment reports from the Investment Consultant
- Corporate Plan progress reports and statistics
- Quarterly risk review reports
- Stage II reviews
- Scheme and Regulatory updates

Each report has an executive summary that summarises the key issues and meeting papers are issued one week in advance of each meeting. During its review of effectiveness in 2018/19 referred to at 7.2, the majority of Committee Members agreed that meeting papers are easy to understand and properly focused. It was noted that the papers are produced to a high standard and circulated to members in a timely manner. All Committee Members also agreed that they are provided with key Scheme and corporate documents and have a working knowledge of these. Positive feedback was received in respect of the content and format of the papers.

The Committee reviews its information requirements on a regular basis. Since 2013, the Committee has had electronic access to its meeting papers and has confirmed its satisfaction with this approach. A Committee Handbook section is also included on the website to provide a single point of access for Committee Members to key Scheme documents and policies, as well as other forms and guidance.

7.4 Internal Audit

NILGOSC outsources its internal audit function to ASM to provide assurance on the effectiveness of the governance, risk management and control environment in the organisation. ASM works to an agreed audit plan, carried out in accordance with the Public Sector Internal Audit Standards. The work of Internal Audit concentrates on areas of key activities determined by analysis of the areas of greatest risk. Findings from work carried out during the year are presented to the ARAC and copies of all final reports are sent to me as Accounting Officer. In addition, Internal Audit provides an annual written statement to the ARAC, setting out a formal opinion on the adequacy and effectiveness of NILGOSC's risk management, control and governance processes.

In their Annual Assurance Statement, the Internal Auditors stated that, during the twelve month period ended 31 March 2019, NILGOSC's systems in relation to risk management, control and governance were adequate and operated effectively, thereby providing satisfactory assurance in relation to the effective and efficient achievement of NILGOSC's objectives. A list of the audit reviews and outcomes that informed this assurance rating is set out in the Annual Report of the Audit & Risk Assurance Committee, which is provided separately in this document on page 117. Internal Audit did not consider there to be any significant control issues relevant to the preparation of the Governance Statement for the year ended 31 March 2019.

NILGOSC reviews the effectiveness of the internal audit service provided by ASM through pre-agreed key performance indicators (KPIs). Progress against these KPIs is formally reviewed by management on an annual basis and reported to the Audit & Risk Assurance Committee. The outcome of the KPI analysis for 2018/19 demonstrated that ASM met or exceeded 11 of the 15 agreed KPI targets, which equates to 73%, demonstrating good performance for the period.

7.5 External Audit

As a non-departmental public body, NILGOSC is required by statute to use the LGA auditor for the provision of its external audit service. The Local Government Auditor issued an unqualified audit opinion for the year ended 31 March 2018.

The audit opinion for the year ended 31 March 2019 is included on pages 70 to 71.

8. Significant Governance Issues

No significant governance or internal control issues were identified from the review of the effectiveness of the system of risk, governance and internal control for the year ended 31 March 2019 that requires reporting in this Statement.

9. Assurance Summary

NILGOSC aims to adhere to the highest standards of governance when conducting its business, to ensure that the organisation and the Pension Scheme are run effectively and efficiently and that decisions are taken in the best interests of its stakeholders.

The review of the effectiveness of the systems and processes that comprise the governance framework for 2018/19 demonstrate that key systems are operating soundly and that there are no significant weaknesses or areas for undue concern. Whilst I have noted in this Statement that there are future challenges and some areas where ongoing improvements can be made, these are not considered to pose a significant risk to the achievement of NILGOSC's strategic objectives.

David Murphy
Chief Executive and Secretary
27 August 2019

ACCOUNTABILITY REPORT

REMUNERATION AND STAFF REPORT

(I) INTRODUCTION

The Remuneration and Staff Report sets out NILGOSC's remuneration policy, reports on how it has been implemented and sets out the amounts awarded to the senior officers and members of the Management Committee. In addition details are provided on remuneration and staff that are key to NILGOSC's accountability as a Non-Departmental Public Body.

(II) REMUNERATION REPORT

Remuneration Policy

The remuneration of all NILGOSC employees, including its Chief Officers, is determined by the Committee which has adopted the pay scales of the National Joint Council (NJC) for Local Government Services.

The NJC for Local Government Services represents local authorities and their employees across the UK. The principal role of the Council is to reach agreement on a national scheme of pay and conditions for local application. The Council consists of 70 members, 12 employer representatives and 58 employee representatives.

In 1997 the NJC for Local Government Services agreed a national framework to suit local service requirements. This framework is known as The Single Status Agreement and salary scales and conditions of service agreements are as published in the Green Book.

Service Contracts

All appointments are made on merit, on the basis of fair and open competition.

The officers covered by this report hold appointments which are open ended. The conditions of service including notice periods are those laid down by the NJC for Local Government Services and various local agreements.

For further information on the NJC for Local Government Services and the Green Book please contact NILGOSC at info@nilgosc.org.uk.

Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interests of senior officers and members of the Management Committee.

Senior Management Remuneration and Pension Entitlements (audited)

	2018/19				2017/18			
Officers	**Salary**	**Benefits in Kind**	**Pension Benefits**	**Total**	**Salary**	**Benefits in Kind**	**Pension Benefits**	**Total**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
David Murphy Chief Executive and Secretary	90,001-95,000	-	25,854	115,001-120,000	90,001-95,000	-	14,025	100,001-105,000
Nicola Todd Deputy Secretary	75,001-80,000	-	29,781	105,001-110,000	70,001-75,000	-	30,589	100,001-105,000
Band of Highest Paid Employee's Total Remuneration	£90,001-£95,000				£90,001-£95,000			
Median Total Remuneration	£23,111				£22,658			
Ratio	4.00				4.08			
Range of Staff Remuneration	£17,000 – £92,500				£16,000 – £91,000			

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decrease due to a transfer of pension rights.

The Chairman is the only Committee member in receipt of an emolument, which is a non-pensionable salary. The Chairman's term of appointment ended 31 December 2018. From 1 January 2019 to March 2019 the Deputy Chairman undertook the duties of the Chairman.

	2018/19		2017/18	
Chairman	**Salary**	**Benefits in Kind**	**Salary**	**Benefits in Kind**
	£	**£**	**£**	**£**
Trevor Salmon	10,185	-	13,314	-
Tom Irvine	3,395	-	-	-

Salary

Salary includes gross salary, overtime, recruitment and retention allowances, private office allowances and any other allowance that is subject to UK taxation. If bonuses were payable, these are reported separately from the salary amount.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

Relationship between the Remuneration of the Most Highly Paid Director and the Median Remuneration of the Organisation

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid employee in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid employee in NILGOSC in the financial year 2018/19 was £90,001-£95,000 (2017/18, £90,001-£95,000). This was 4.00 times (2017/18, 4.08) the median remuneration of the workforce, which was £23,111 (2017/18, £22,658).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The ratio of 4.00 for 2018/19 has marginally reduced from 2017/18 as NJC pay award percentage increase for 2018/19 was higher for the lowest paid employees and as a result has maintained the ratio between the highest paid employee and the median remuneration of the workforce. The median remuneration is the remuneration of the staff member lying in the middle of the linear distribution of the total staff, excluding the highest-paid employee, and has shown an increase consistent with the 2018/19 disproportionate NJC percentage pay award for lower grade employees.

Management Committee Members' Attendance Allowance

The Committee members, with the exception of the Chairman, receive a meeting fee for attending Management Committee, Audit Committee and Staffing Committee meetings. Details of those members who received an allowance are shown below.

	2018/19	2017/18
Committee Members	**£**	**£**
Joseph Donaghy*	1,452	2,023
Julie Erskine***	-	1,071
Bumper Graham*	1,089	2,261
Celine McCartan*	968	1,428
Peter McMurray	1,694	1,309
Linda Neilan	2,904	2,380
Peter Caldwell	1,936	2,142
David Jackson	847	1,547
Tom Irvine**	2,178	2,499
Sharon McQuillan	2,420	2,142
Lindsay Todd	2,662	2,142
Joan McCaffrey	2,299	2,499

*   Term of appointment ended 31 December 2018
** Excludes payment for undertaking Chairman's duties from 1 January 2019 – 31 March 2019
*** Member resigned 31 December 2017

Pension Benefits (audited)

Officers	Accrued Pension and Related Lump Sum at Age 65 as at 31/03/19	Real Increase in Pension and Related Lump Sum at Age 65	CETV at 31/03/19	CETV at 31/03/18	Real Increase in CETV
	£	£	£	£	£
David Murphy Chief Executive and Secretary	30,001- 35,000 plus lump sum of 50,001- 55,000	0-2,500 plus lump sum of (2,500)-0	580,000	477,000	24,000
Nicola Todd Deputy Secretary	20,001- 25,000 plus lump sum of 20,001-25,000	0-2,500 plus lump sum of 0-2,500	279,000	217,000	19,000

Pension benefits are provided through the NILGOSC Scheme. This is a statutory scheme that provides benefits on a 'career average revalued earnings' basis at normal retirement age. Benefits accrue at the rate of 1/49th of pensionable salary from 1 April 2015 and were built up at a rate of 1/80th of pensionable salary for each year of service up to 31 March 2009 and 1/60th for each year of service between 1 April 2009 and 31 March 2015. In addition a lump sum equivalent to 3/80ths of pensionable salary for each year of service up to 31 March 2009 is payable on retirement.

Employees currently pay contributions of between 5.5% - 10.5% of pensionable earnings. Pensions increase annually in line with the Consumer Prices Index. On death, pensions are payable to the surviving spouse, nominated co-habiting partner or civil partner. On death in service, the Scheme will pay a lump sum benefit of three times pensionable pay and will also provide a service enhancement on computation of the spouse's pension.

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the Scheme if they are at or over pension age. Pension age is state pension age or age 65 if higher.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the Scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in his/her former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of his/her total membership of the pension scheme, and not just to his/her service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred into the NILGOSC Scheme and for which NILGOSC has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefits accrued as a result of the member purchasing additional years of pension service in the Scheme at his/her own cost.

CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment and Revocation) Regulations 2015. They do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation and contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

(III) STAFF REPORT

Staff Numbers and Related Costs (audited)

Staff costs comprise:

	Permanently employed staff £'000	Others £'000	2018/19 Total £'000	2017/18 Total £'000
Wages and salaries	**1,890**	**327**	**2,217**	2,151
Social security costs	**158**	**23**	**181**	161
Other pension costs	**628**	**45**	**673**	650
Total	**2,676**	**395**	**3,071**	2,962

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	Permanently employed staff	Others	2018/19 Total	2017/18 Total
Directly employed	**65**	**17**	**82**	84
Total	**65**	**17**	**82**	84

The decrease in the average number of whole-time equivalent persons employed during the year is mainly a result of the end of fixed term contracts for employees working on the GMP reconciliation which was substantially complete by October 2018.

NILGOSC provides pension arrangements for the benefit of its employees through the NILGOSC Scheme. The NILGOSC Scheme is known as the Local Government Pension Scheme (Northern Ireland) and is a funded defined benefit scheme. Benefits earned up to 31 March 2015 are linked to final salary. Benefits earned after 31 March 2015 are based on a Career Average Revalued Earnings Scheme.

For 2018/19, employers' contributions were payable to the NILGOSC Scheme at 19% of pensionable pay. The Scheme's actuary reviews employer contributions every three years following a full scheme valuation. A valuation was completed during 2016/17 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate within the report on the Actuarial Valuation as at 31 March 2016.

The NILGOSC Scheme is a multi-employer scheme. Note 18 to the financial statements sets out the net defined benefit liability attributable to NILGOSC specifically as a participating employer.

Staff Composition

An analysis of the composition of staff members as at 31 March 2019 and 31 March 2018 on a whole-time equivalent basis is as follows:

	Male	Female	31/3/19 Total	Male	Female	31/3/18 Total
Secretariat	**1**	**1**	**2**	1	1	2
Senior Managers	**0**	**5**	**5**	-	5	5
All Other Employees	**31**	**39**	**70**	34	43	77
Total	**32**	**45**	**77**	35	49	84

Sickness Absence

The average number of days lost to sickness absence by all staff in 2018/19 was 4.4 days (2017/18 – 8.2 days).

Equality and Diversity

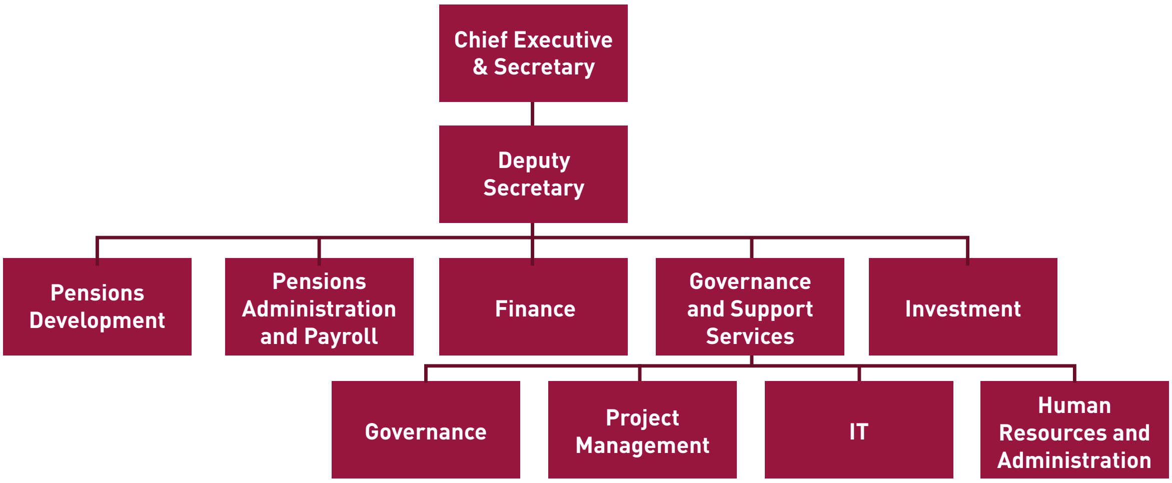
It is the policy of NILGOSC to ensure that equality of opportunity is provided to all employees and those seeking employment. A welcome statement is used on recruitment advertising to encourage recruitment from a diverse range of applicants and from groups under-represented in the workforce. It is also NILGOSC's policy to make all reasonable adjustments to support the employment, training and development and retention of those with a disability. NILGOSC's commitment to the promotion of equality of opportunity and diversity within its workforce is reflected across all of its staff policies.

Payments to Consultants

There were no payments to consultants during 2018/19 (2017/18: nil).

The Staff

Day to day administration of the Scheme is performed by the Secretariat, who report to the Committee on a monthly basis. Led by the Chief Executive and Secretary and Deputy Secretary, over 80 experienced staff are responsible for the administration of retirement benefits and the monitoring of investments and operate within the functions shown in the chart below.



NILGOSC recognises that one of its greatest assets is its professional and experienced staff and is committed to developing every employee to their full potential.

NILGOSC recognises the Northern Ireland Public Service Alliance (NIPSA) as its Trade Union and all members of staff have the right to join should they wish to do so.

Staff Development

Training and development of staff is a key priority for NILGOSC and in 2018/19 a budget of 2.5% of salary costs was allocated to this particular area. Significant emphasis is placed on training and developing staff through a structured training programme. A needs analysis is carried out every year as part of the appraisal process and an organisation wide training programme is prepared.

In addition to maximising the ability of staff to carry out their duties competently and efficiently, the NILGOSC training and development policy is designed to support individual opportunities for personal and career development.

Employees' Involvement

Staff communication and involvement continues to be a key objective and NILGOSC communicates with its staff about its objectives, progress and activities through various channels – team meetings, briefings, circulars and the staff intranet. NILGOSC continued its quarterly staff newsletter throughout 2018/19 as an additional means of internal communication. Staff are encouraged to take part in project groups where possible to promote employee engagement and to develop knowledge and skills. In addition, staff are involved in the preparation of the annual corporate plan. The employees have also elected a Staff Forum which can bring concerns or suggestions for improvement directly to senior management.

All these initiatives give staff the opportunity to contribute constructively to the development and progress of NILGOSC in its aim to develop staff, improve systems and satisfy its stakeholders' needs.

ACCOUNTABILITY REPORT

ASSEMBLY ACCOUNTABILITY REPORT

(I) INTRODUCTION

The Assembly Accountability Report provides details of losses and special payments, fees and charges and remote contingent liabilities.

(II) LOSSES AND SPECIAL PAYMENTS (AUDITED)

Losses Statement

Losses incurred on the sale of investments are disclosed within "Change in Market Value" in Note 9 to the Accounts and "Gains/losses arising from changes in fair value of Investment Properties" in Note 10 to the Accounts.

Losses incurred during the year in respect of pension overpayments total £95,682. £5,683 relates to the non-recovery of pensioner overpayments as a result of death, £2,722 of which relates to a suspected pension payroll fraud following the unreported death of a member. This case was reported to the Department for Communities on 25 September 2018.

The balance of pension overpayment write-offs, £89,999, relates to non-death pensioner overpayments as a result of the GMP reconciliation exercise. On 30 March 2018 the Permanent Secretary of the Department for Communities gave approval for all overpayments arising from the GMP exercise to be written off. Further details in respect of the GMP reconciliation exercise are provided in the Performance Analysis section of this Annual Report on page 15.

Bad debts written off during the year total £4,256,113. £3,807,356 relates to the irrecoverable cessation debt of three employing authorities with £17,250 of this debt provided for in 2017/18. An additional £445,756 of irrecoverable accrued loan interest income for a property investment was written off following the disposal of the property in October 2018. The balance of write-offs reflects tax reclaims deemed irrecoverable in 2018/19 of £17,245 after an adjustment for recovery of prior year write-offs on rental debt of £14,244. These write-offs required Department of Finance approval which was received on 7 June 2019.

Special Payments

There were no special payments during the year.

Charitable Donations

The Committee made no charitable donations during the year.

(III) FEES AND CHARGES (AUDITED)

NILGOSC had no material fees and charges income during 2018/19 (2017/18: nil).

(IV) REMOTE CONTINGENT LIABILITIES (AUDITED)

In addition to contingent liabilities reported within the meaning of IAS 37 (see Note 23 to the Financial Statements) NILGOSC also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability.

NILGOSC has no remote contingent liabilities as at 31 March 2019 (2017/18: no remote contingent liabilities).

David A Murphy

David Murphy
Chief Executive and Secretary
27 August 2019

ACCOUNTABILITY REPORT

AUDIT REPORT

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE

THE CERTIFICATE AND REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE DEPARTMENT FOR COMMUNITIES

Opinion on financial statements

I have audited the financial statements of the Northern Ireland Local Government Officers' Superannuation Committee ("NILGOSC") for the year ended 31 March 2019 under Regulation 63 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014. The financial statements comprise the Fund Account, Net Assets Statement, Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and Accountability Report that is described in those reports as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of NILGOSC's affairs as at 31 March 2019 and of the net increase in the Scheme during the year and of the amount and disposition at that date of its assets and liabilities other than liabilities to pay benefits after the Scheme year end; and

- have been properly prepared in accordance with Regulation 63 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014 and Department for Communities (DfC) directions issued thereunder.

Opinion on regularity

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

Basis of opinions

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

Other information

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

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

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and Assembly Accountability Report to be audited have been properly prepared in accordance with Regulation 63 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014; and

- the information given in the Foreword, Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Accounting Officer and auditor 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 and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with the Local Government Pension Scheme Regulations (Northern Ireland) 2014.

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

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the 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.

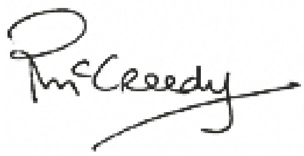
Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Remuneration and Staff Report and Assembly Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Report

I have no observations to make on these financial statements.



Pamela McCreedy
Local Government Auditor
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

4 September 2019

FINANCIAL STATEMENTS

FUND ACCOUNT
YEAR ENDED 31 MARCH 2019

	Note	2018/19 £'000	2017/18 £'000
Contributions and benefits			
Contributions receivable	4	**276,796**	256,807
Transfers in		**10,428**	10,659
		287,224	267,466
Benefits	5	**(250,115)**	(229,045)
Payments to and on account of leavers	6	**(5,169)**	(6,287)
Administration expenses	7	**(5,545)**	(3,090)
		(260,829)	(238,422)
Net additions from dealings with members		**26,395**	29,044
Return on investments			
Investment income	8	**97,279**	110,634
Change in market value of financial investments	9	**384,528**	304,919
Gains arising from changes in fair values of investment properties	10	**565**	41,241
Investment management expenses	11	**(18,472)**	(19,823)
Net return on investments		**463,900**	436,971
Net increase in the Scheme during the year		**490,295**	466,015
Remeasurement gains on the retirement benefit obligation	18	**456**	200
		456	200
Opening net assets of the Scheme		**7,549,197**	7,082,982
Closing net assets of the Scheme		**8,039,948**	7,549,197

The notes on pages 77 to 108 form part of these financial statements.

NET ASSETS STATEMENT AS AT 31 MARCH 2019

	Note	2018/19 £'000	2017/18 £'000
Non-current assets			
Financial assets	9	**7,253,341**	6,692,435
Investment properties	10	**767,710**	756,500
Intangible assets	12	**192**	177
Property, plant and equipment	13	**1,381**	1,387
Revaluation reserve	14	**(226)**	(197)
Total non-current assets		**8,022,398**	7,450,302
Current assets			
Trade and other receivables	15	**37,601**	62,891
Cash and cash equivalents	16	**6,280**	63,727
Total current assets		**43,881**	126,618
Total assets		**8,066,279**	7,576,920
Current liabilities			
Trade and other payables	17	**(21,675)**	(22,981)
Total current liabilities		**(21,675)**	(22,981)
Non-current assets plus net current assets		**8,044,604**	7,553,939
Non-current liabilities			
Retirement benefit obligations	18	**(4,656)**	(4,742)
Total non-current liabilities		**(4,656)**	(4,742)
Total net assets of the Scheme		**8,039,948**	7,549,197

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Committee. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in Note 21 and the Statement by the Actuary on pages 109 to 111 and these financial statements should be read in conjunction with it.

The notes on pages 77 to 108 form part of these financial statements.

David A Murphy

David Murphy
Secretary
27 August 2019

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	2018/19 £'000	2018/19 £'000	2017/18 £'000	2017/18 £'000
Cash flows from operating activities				
Net increase in the Scheme during the year	**490,295**		466,015	
Adjustments for non-cash transactions				
Change in market value of investments and gains arising from changes in fair value of investment properties	**(385,093)**		(346,160)	
Depreciation/amortisation	**156**		215	
IAS 19 pension cost less contributions payable	**370**		376	
Adjustment for movements in working capital				
Decrease/(increase) in trade and other receivables	**25,290**		(28,253)	
(Decrease) in trade and other payables	**(1,306)**		(8,197)	
Net cash inflow from operating activities		**129,712**		83,996
Cash flows from investing activities				
Purchase of property, plant & equipment and intangible assets	**(139)**		(212)	
Purchase of investment properties	**(22,691)**		(948)	
Purchase of investment assets	**(4,674,937)**		(2,291,776)	
Proceeds of disposal of property, plant & equipment and intangible assets	**3**		-	
Proceeds of disposal of investment properties	**12,046**		7,269	
Proceeds of disposal of investment assets	**4,498,559**		2,230,529	
Net cash outflow from investing activities		**(187,159)**		(55,138)
Net (decrease)/increase in cash and cash equivalents		**(57,447)**		28,858
Cash and cash equivalents at the beginning of the year		**63,727**		34,869
Cash and cash equivalents at the end of the year		**6,280**		63,727

The notes on pages 77 to 108 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1.1 Basis of accounting

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997, as amended, the Local Government Pension Scheme Regulations (Northern Ireland) 2014, as amended, guidance set out in the 2018/19 Government Financial Reporting Manual (FReM) issued by the Department of Finance, and the Accounts Direction issued by the Department for Communities.

The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Northern Ireland Local Government Officers' Superannuation Committee for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Northern Ireland Local Government Officers' Superannuation Committee are described below. They have been applied consistently in dealing with items that are considered material to the financial statements with the exception of IFRS 9 as outlined below.

The financial statements are prepared on an accruals basis.

1.2 Application of IFRS 9 'Financial Instruments'

IFRS 9 'Financial instruments' became effective for annual periods beginning on or after 1 January 2018. It introduces new requirements for classification and measurement, impairment and hedge accounting and replaces the multiple classification and measurement models in IAS 39 'Financial Instruments: Recognition and Measurement'.

IFRS 9 has been applied by NILGOSC from 1 April 2018 and the impact is described below.

(a) Transition

As permitted by the transition provisions of IFRS 9, comparative information throughout these financial statements has not been restated to reflect the requirements of IFRS 9. Therefore financial instruments in the comparative period are still accounted for in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.

(b) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The application of IFRS 9 did not result in a change to the classification or measurement of financial instruments. NILGOSC's investment portfolio

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 £'000	New carrying amount under IFRS 9 £'000
Financial assets				
Debt instruments	Designated as at FVTPL	FVTPL	225,918	225,918
Equity instruments	Designated as at FVTPL	FVTPL	2,215,229	2,215,229
Pooled investment vehicles	Designated as at FVTPL	FVTPL	4,109,404	4,109,404
Derivative financial instruments	Held for trading at FVTPL	FVTPL	2,363	2,363
Infrastructure/Private Equity investments	Designated as at FVTPL	FVTPL	139,521	139,521
Trade and other receivables	Loans and Receivables	Amortised cost	62,891	62,891
Cash and cash equivalents	Loans and Receivables	Amortised cost	63,727	63,727
Financial liabilities				
Trade and other payables	Other financial liabilities at amortised cost	Amortised cost	22,981	22,981

1.2 Application of IFRS 9 'Financial Instruments' (continued)

continues to be classified as fair value through profit or loss (FVTPL) and other financial assets which are held for collection continue to be measured at amortised cost.

The table on the previous page shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for NILGOSC's financial assets and financial liabilities as at 1 April 2018.

(c) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt instruments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Given the limited exposure to credit risk, this amendment has not had a material impact on the financial statements. NILGOSC only holds receivables with no financing component and which have maturities of less than 12 months at amortised cost and therefore has adopted the simplified approach to ECLs.

(d) Hedge accounting

NILGOSC has not applied hedge accounting under IAS 39 nor under IFRS 9.

1.3 Functional and presentation currency

These financial statements are presented in sterling, which is the Fund's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2. Accounting Policies

2.1 Contributions

Normal contributions, both from members and employers, are accounted for on an accruals basis at the rate certified by the Scheme Actuary in the payroll period to which they relate.

Employers' deficit funding contributions are accounted for on the due date on which they are payable as certified by the Scheme Actuary.

Employers' augmentation contributions and pensions strain contributions are accounted for in accordance with the agreement under which they are being paid.

Employers' special contributions are accounted for in accordance with the agreement under which they are being paid, or in the absence of such an agreement, when received.

Employers' cessation contributions are accounted for in the period in which the liability arises and reported net of any approved bad debt write-off.

2.2 Additional Voluntary Contributions (AVCs)

NILGOSC provides an AVC Scheme for its contributors, the assets of which are invested separately from those of the fund. AVCs are not included in the accounts in accordance with 5(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations (Northern Ireland) 2000 (SRNI 2000/178) but are disclosed as a note to the accounts (see Note 9).

2.3 Payments to Members

Benefits are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Fund of his/her decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving. Pensions in payment are accounted for on an accruals basis.

2.4 Transfers to and from other schemes

Individual transfers in/out are accounted for on a receipts and payments basis.

Bulk transfers in/out are accounted for in accordance with the bulk transfer terms signed by the appointed actuaries.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis, and are reported within transfers in.

2.5 Administration and other expenses

Administration and other expenses are accounted for on an accruals basis.

2.6 Investment income

Income from equities is accounted for on the basis of the "ex-dividend" date with outstanding dividends (quoted "ex-dividend") at 31 March being included as income for the financial year. Income from equities is net of irrecoverable withholding tax.

Income from fixed interest and index-linked securities,

2.6 Investment income (continued)

cash and short-term deposits is accounted for on an accruals basis.

Property related income consists primarily of rental income. Rental income from investment properties has been taken into account by reference to the periods to which the rents relate and is shown net of related expenses. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

2.7 Investment management expenses

Investment management expenses are accounted for on an accruals basis.

External investment management and custodian fees are agreed in management or custody agreements governing the administration of the individual mandates. Fees are generally based on the valuation of the underlying investments and, as such, will fluctuate as the valuations change. In addition, performance related fees have been in included in fee agreements. One investment manager received performance related fees in 2018/19 and there were no longer any such fee agreements in place at 31 March 2019.

Investment costs that are deducted from the value of an investment are recognised as a cost in the Fund Account rather than as a reduction in the change in market value of investments.

2.8 Investment transaction costs

Investment transaction costs that are added to an investment purchase price or deducted from the proceeds of sale are recognised as a cost in the Fund Account rather than as a reduction in the change in market value of investments.

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are not treated as an expense. Such costs are accounted for as part of the acquisition costs or sale proceeds.

2.9 Taxation

The Scheme is a Registered Public Service Scheme under Chapter 2 of Part 4 of the Finance Act 2004. It has received automatic registration by virtue of Part 1 of Schedule 36 of that Act.

2.10 Valuation of financial assets

Investments are included in the Net Asset Statement on a fair value basis at the reporting date.

(a) Quoted investments are stated at bid value, excluding any accrued income, or if the bid value is unavailable, at the value of the most recent transaction.

(b) Fixed interest securities and index linked securities are valued on a bid price basis excluding accrued interest. Accrued interest is included within investment income due.

(c) The valuation of unquoted private equity and private debt investments is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.

(d) The valuation of unquoted infrastructure investments is based on the latest fund manager valuations, adjusted for transactions arising after the date of such valuations. Fund Manager valuations are developed in accordance with generally accepted guidelines.

(e) Pooled investments are stated at the manager's unit value on a bid price basis if published, or, if single priced, at the closing single price.

(f) Derivatives are stated at fair value.

- Exchange traded derivatives are stated at fair value determined using market quoted prices.

- Swaps are valued taking the current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.

- Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the year end date.

- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

- All gains and losses arising on derivative contracts are reported within 'Change in Market Value'. Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.

2.11 Investment properties

Investment properties are valued on the basis of open market value at the reporting date by independent chartered surveyors, BNP Paribas Real Estate, in accordance with the RICS Appraisal and Valuation Manual. The carrying amounts of these assets approximate their fair value.

2.12 Intangible assets – software intangibles

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset.

2.13 Property, plant and equipment

Property is carried at fair value and is valued on the basis of open market value at the reporting date by the independent chartered surveyors BNP Paribas Real Estate in accordance with the RICS Appraisal and Valuation Manual.

Non-property assets are carried at cost less accumulated depreciation and impairment losses where applicable.

2.14 Depreciation of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives. The selection of these estimated lives requires the exercise of management judgement.

2.15 Financial instruments

As set out in Note 1.2, NILGOSC has adopted IFRS 9 Financial Instruments for the first time in the current period. Comparative figures for the year ended 31 March 2018 have not been restated therefore financial instruments in the comparative period are still accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

(i) Recognition and initial measurement

Financial assets and liabilities at FVTPL are initially recognised on the trade date, which is the date on which NILGOSC becomes a party to the contractual provision of the instrument. Other financial assets and liabilities are recognised on the date on which they are originated.

(ii)(A) Classification – policy applicable from 1 April 2018 (IFRS 9)

Financial assets

On initial recognition financial assets are classified as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

All other financial assets of the Fund are measured at FVTPL.

In making an assessment of the objective of the business model under which a financial asset is held, all of the relevant information about how the Fund is managed is considered. This includes how performance is evaluated and reported, the risks that affect the performance of the business model and how those risks are managed, and the frequency, volume and timing of sales of financial assets in prior periods.

It has been determined that the Fund operates two business models as follows:

(a) Held-to-collect business model: this includes cash and cash equivalents and trade and other receivables. These financial assets are held to collect contractual cash flows; and

(b) Other business model: this includes fixed income securities, equity instruments, derivatives and unlisted infrastructure/private equity investments. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

In assessing whether contractual cash flows are SPPI the contractual terms of the instrument are considered, including assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial liabilities

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. All other financial liabilities are measured at amortised cost. This includes trade and other payables.

(ii)(B) Classification – policy applicable before 1 April 2018 (IAS 39)

Financial assets

Financial assets were classified into financial

2.15 Financial instruments (continued)

assets at FVTPL and loans and receivables.

All debt and equity instruments, pooled investment vehicles and investments in unlisted infrastructure/private equity funds were designated at FVTPL on initial recognition because these were managed on a fair value basis; internal reporting and performance measurement of these instruments was on a fair value basis.

Derivative financial instruments were classified as FVTPL.

Loans and receivables were non-derivative financial assets with fixed or determinable payments not quoted in an active market. This included trade and other short-term receivables and cash and cash equivalents.

Financial liabilities

The classification policy for financial liabilities from 1 April 2018 as set out at (ii)(A) above also applied prior to 1 April 2018 under IAS 39.

Note 1.2 provides details of the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for NILGOSC's financial assets and financial liabilities as at 1 April 2018.

(iii) Subsequent measurement

Subsequent measurement details are set out in the following table.

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income and expense and foreign exchange gains and losses are recognised in profit or loss. These instruments include: *Debt securities; equity investments; investments in infrastructure funds; investments in unlisted private equities; and derivative financial instruments*
Financial assets at amortised cost	Subsequently measured at amortised cost using the effective interest method less any impairment losses. These instruments include: *Cash and cash equivalents; trade and other receivables*
Financial liabilities at amortised cost	Subsequently measured at amortised cost using the effective interest method. These instruments include: *Trade and other payables*

(iv) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the pension fund has access at that date.

When available, the fair value of an instrument is measured using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Instruments quoted in an active market are measured at bid price.

If there is no quoted price in an active market, then valuation techniques are used that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

(v) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

(vi)(A) Impairment – policy applicable from 1 April 2018 (IFRS 9)

Loss allowances for ECLs are recognised on financial assets measured at amortised cost and are deducted from the gross carrying amount of the assets in the Net Assets Statement.

NILGOSC holds only trade and lease receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply the simplified approach for expected credit losses under IFRS 9 to all its trade and lease receivables.

Changes in credit risk are not tracked but instead a loss allowance based on lifetime ECLs at each reporting date is recognised.

Allowances for ECLs are based on historic experience of non-recovery of trade and other receivables.

2.15 Financial instruments (continued)

(vi)(B) Impairment – policy applicable before 1 April 2018 (IAS 39)

Financial assets not classified at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment. A financial asset or a group of financial assets was impaired if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s) and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that could be estimated reliably.

The carrying amount of the asset was reduced through the use of an allowance account and the amount of the loss was recognised as an expense in the Fund Account.

(vii) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the rights to receive the contractual cash flows are transferred in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in the Fund Account.

A financial liability is derecognised when the contractual obligations are discharged, cancelled or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in the Fund Account.

2.16 Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Investments and monetary assets and liabilities held at the reporting date are translated at the exchange rate applicable at the reporting date.

2.17 Retirement benefit obligations

NILGOSC employees are members of the NILGOSC Scheme. The cost of providing benefits to those individuals is determined using the Projected Unit Credit method.

Formal actuarial valuations are carried out every three years and updates are carried out at the end of each reporting period. The difference between the fair value of the assets held and the liabilities are recognised in the Net Assets Statement as an asset or liability as appropriate. Changes in the retirement benefit obligation are charged immediately to the Fund Account. The actuarial liability recognised in the Net Asset Statement represents NILGOSC share of the actuarial liability attributable to NILGOSC in its capacity as a participating employer to the overall scheme.

2.18 Actuarial present value of promised retirement benefits

The accounts summarise the transactions of the Scheme and report on the net assets at the disposal of NILGOSC. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

The actuarial position of the Scheme, which does take account of such obligations is dealt with in Note 21 on page 106 and the Actuarial Statement on pages 109 to 111. The actuarial present value of promised retirement benefits, valued on a basis consistent with IAS 19, is disclosed in Note 21 of these financial statements.

2.19 Use of estimates and judgements

The use of estimates and assumptions is required in the preparation of the financial statements. Where estimates and assumptions are required, the techniques used are considered appropriate and are consistently applied. Actual results may however differ from those assumptions and estimates used.

IFRS 9 Application Judgements

The application of IFRS 9 Financial Instruments requires a degree of judgement and the use of estimates and assumptions in relation to the classification, measurement and impairment of financial assets and liabilities.

Judgement is applied in making an assessment of the objective of the business model in which financial assets are held along with the assessment of whether contractual cash flows are SPPI. Considerations are set out in Note 2.15.

The ECLs for financial assets are based on assumptions about risk of default and expected loss rates. Judgement is used in making these assumptions and selecting the inputs to the impairment calculation and therefore there is a risk that expected credit losses may be under or overstated in the financial statements. Given the limited exposure to credit risk, this is not expected to have a material impact on the financial statements.

2.19 Use of estimates and judgements (continued)

Investment Management Performance Fees

Historically investment management performance fees were calculated based on observed performance to the year-end date. There were no managers' fee agreements linked to performance in place as at 31 March 2019.

Unquoted Private Equity and Infrastructure Investments

The valuation of unquoted private equity and private debt investments is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. The valuation of unquoted infrastructure investments is based on the latest fund manager valuations, adjusted for transactions arising after the date of such valuations. There is a risk that these investments may be under or overstated in the financial statements. NILGOSC reviews the performance and independent audit opinion in respect of each infrastructure investment as part of its own periodic NAV assessment. This NAV assessment includes consideration of each underlying non-traded asset in each infrastructure fund in terms of the valuation method, liquidity of same and any independent corroboration of NAV to comparable traded valuations or disposal receipts.

Fair Value of Investment Properties

The fair value of investment properties is determined by independent valuation experts on the basis of open market value. The valuations are primarily derived from comparable market transactions on arms-length terms. Such valuations will be affected by uncertainties in the comparable information available, current and future market conditions and property specifics.

IAS 19 Retirement Benefit Obligation

The retirement benefit obligation is calculated by the appointed Actuary based on the assumptions set out in Note 18. The methodology used is in line with accepted guidelines and in accordance with IAS 19, however this estimate is subject to variances based on changes to the underlying assumptions.

2.20 Application of new and revised International Financial Reporting Standards in future accounting periods

The International Accounting Standards Board has issued a number of new standards applicable for 2019/20. The following standards have been reviewed and have been given consideration as to their impact on NILGOSC's financial statements.

IFRS 16 Leases (effective 1 January 2019): IFRS 16 introduces a single on balance sheet lease accounting model for lessees and given that NILGOSC is not a lessee, the adoption of IFRS 16 is not expected to have a material impact.

IAS 1 and IAS 8 (effective January 2020 with FReM application in 2019/20 or 2020/21): These amendments clarify the definition of 'material' and its application and are not expected to result in significant changes to materiality limits or disclosures.

3. Segmental information

NILGOSC has only one operating segment. NILGOSC monitors and controls its operation through review of income and expenditure information on a portfolio basis. NILGOSC looks at the Scheme in totality as it cannot be disaggregated into any separate segments. Please refer to the Fund Account on page 74 and the Net Assets Statement on page 75.

4. Contributions receivable

		2018/19 £'000	2017/18 £'000
Employers			
	normal	**186,251**	165,878
	deficit recovery	**18,590**	18,541
	early retirement funding *	**10,075**	7,195
	special contributions **	**1,374**	8,181
Employees			
	normal	**60,506**	57,012
		276,796	256,807

* Movement on early retirement funding is a product of the function of the service and final salary of the retiring member rather than an increase in the number of early retirements.

** Special contributions include payments made to the Fund by specific employing authorities in addition to the minimum % contribution certified by the actuary and include strain on fund payments, deficit recovery on closure or staff transfers and cessation payments.

The total figure is net of approved 2018/19 cessation debt write-offs of £3,807k.
The comparative prior year figure has been reclassified to reflect the net cessation contributions after approved debt write-off of £1,584k.

5. Benefits

	2018/19 £'000	2017/18 £'000
Pensions *	**186,314**	173,067
Commutations and lump sum retirement benefits	**56,408**	49,711
Lump sum death benefits	**7,393**	6,267
	250,115	229,045

* In addition, £4.255m of agency and compensation pensions were paid on an agency basis and recharged to employing authorities (2017/18: £4.247m). These payments relate to compensation benefits which, under the applicable regulations, cannot be paid from the Fund and for which NILGOSC acts as a paying agent only. Accordingly, these transactions have not been reflected in these financial statements.

6. Payments to and on account of leavers

	2018/19 £'000	2017/18 £'000
Refund to members leaving service	**1,340**	560
Payment for members joining state scheme	**(10)**	39
Transfers to other schemes	**3,839**	5,688
	5,169	6,287

7. Administration expenses

	2018/19 £'000	2017/18 £'000
Staff costs (note 19)	**3,071**	2,950
Agency staff costs (note 19)	**-**	12
Office overheads *	**663**	653
Depreciation and amortisation (notes 12 & 13)	**156**	215
Communication	**258**	196
Other administration	**157**	156
Actuarial fees	**89**	53
Internal audit fees	**30**	27
External audit fees	**25**	24
Legal and other professional fees	**67**	40
Medical fees	**65**	67
IAS19 interest cost (note 18)	**118**	-
Movement in provision in respect of employing authority debt	**846**	(1,303)
	5,545	3,090

* Office overheads in 2017/18 include IAS19 interest cost which has been reclassifed and is shown separately in 2018/19.

After adjustment for IAS 19 interest cost the variance in Administration expenditure is driven by an increase in support and maintenance fees for new software developments and associated stakeholder communications.

8. Investment income

	2018/19 £'000	2017/18 £'000
Fixed interest securities	**7,773**	5,315
Dividends from equities	**46,337**	68,890
Index linked securities	**(7)**	-
Pooled investment vehicles	**2,175**	810
Infrastructure/private equity investments	**2,488**	769
Net rents from properties	**35,715**	34,899
Interest on deposits	**832**	553
Stock lending income	**2,318**	1,884
Foreign exchange losses*	**-**	(1,693)
Other income	**60**	138
	97,691	111,565
Irrecoverable withholding tax	**(412)**	(931)
Total Investment Income	**97,279**	110,634

* Foreign exchange gains and losses relate to cash deposits held for investment which are classified as Financial Assets in 2018/19 and the gains and losses are shown within change in market value in Note 9.

8. Investment Income (continued)

Stock lending

The Fund's securities lending programme continued during the year ended 31 March 2019. The main features of the programme are:

(i) Lending maximum of 35% of total investment assets;
(ii) Global Custodian acts as securities lending manager and collateral manager;
(iii) Collateral comprises mainly of UK and overseas equity and Government debt.

As at 31 March 2019, there were securities amounting to £176,970,386 on loan against collateral of £189,217,399 (2017/18: securities amounting to £316,664,415 were on loan against collateral of £337,449,882).

9. Financial assets

Movement in investments and derivatives

	Value at 01 04 2018 £' 000	Purchases at cost £' 000	Sales proceeds £' 000	Reclassification on Transition £' 000	Change in market value £' 000	Value at 31 03 2019 £' 000
Fixed interest securities	225,918	2,266,512	(1,204,142)	485,154	22,249	**1,795,691**
Equities	2,215,229	827,194	(2,258,314)	489,053	172,755	**1,445,917**
Index-linked securities	-	244,178	(36,194)	-	4,294	**212,278**
Pooled investment vehicles	4,109,404	883,287	(930,138)	(974,171)	175,608	**3,263,990**
Derivative contracts	2,363	64,589	(63,412)	-	(20,949)	**(17,409)**
Infrastructure/Private Equity	139,521	87,625	(6,359)	-	31,745	**252,532**
	6,692,435	4,373,385	(4,498,559)	36	385,702	**6,952,999**
Other investment balances:						
Cash deposits	-	278,439 *	-	(36)	(1,174)	**277,229**
Investment income due	-	23,113 *	-	-	-	**23,113**
Net financial assets	**6,692,435**	**4,674,937**	**(4,498,559)**	**-**	**384,528**	**7,253,341**

* Net movement

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year, reinvested income arising on the Legal & General Pooled investments and exchange gains and losses on investments denominated in foreign currencies.

In addition to the transaction costs disclosed in Note 11, indirect costs are incurred through the bid-offer spread on fixed interest securities, investments within pooled investment vehicles and also infrastructure investments. The amount of indirect costs is not shown separately and is included in the cost of purchases and sales proceeds.

The second phase of the transition to the new strategic asset allocation set in December 2017 was completed in March 2019. The 4 new specialist fixed income mandates were funded through the termination of existing equity and fixed income mandates held by Baillie Gifford and Wellington, and a reduction in passive funds managed by Legal & General, with a total of £2.2bn transferred to the new investment managers.

As a result, a greater proportion of the fund is held in fixed interest securities as at 31 March 2019 with a corresponding reduction in equities and pooled investment vehicles.

In 2018/19 all cash balances held by NILGOSC's custodian for the purposes of trading by the investment managers are classified as investment cash deposits within Financial Assets. In 2017/18 the balances were included within cash and cash equivalents. No prior year adjustment or restatement of comparatives was deemed necessary on materiality grounds.

The cash deposits held at 31 March 2019 include £17.3m ringfenced as collateral in relation to derivative contracts.

In 2018/19 investment income due has been reclassified from prepayments and accrued income within Trade and

9. Financial assets (continued)

other receivables in 2017/18 to other investment balances within Financial assets. No prior year adjustment or restatement of comparatives was deemed necessary on materiality grounds.

The reduction in passive funds managed by Legal & General was facilitated by an in-specie transfer of the underlying assets and this is reflected in the reclassification on transition in the preceding financial asset movement table.

Financial assets and liabilities

	2018/19 £'000	2017/18 £'000
Financial assets at fair value through profit or loss		
Fixed interest securities	**1,795,691**	225,918
Equities	**1,445,917**	2,215,229
Index linked securities	**212,278**	-
Pooled investment vehicles	**3,263,990**	4,109,404
Derivative contracts:		
Futures	**195**	-
Swap contracts	**7,681**	-
Options	**2,154**	-
Forward currency contracts	**5,299**	6,550
Private equity/infrastructure	**252,532**	139,521
Cash deposits	**277,229**	-
Investment income due	**23,113**	-
Total financial assets	**7,286,079**	6,696,622
Financial liabilities at fair value through profit or loss		
Derivative contracts:		
Futures	**(1,516)**	(69)
Swap contracts	**(10,622)**	-
Options	**(108)**	-
Forward currency contracts	**(20,492)**	(4,118)
Total financial liabilities	**(32,738)**	(4,187)
Net financial assets	**7,253,341**	6,692,435

9. Financial assets (continued)

Analysis of financial assets

	2018/19 £'000	2017/18 £'000
Fixed interest securities		
UK public sector	**162,108**	4,966
UK corporate	**119,461**	1,680
Overseas public sector	**836,253**	162,602
Overseas corporate	**677,869**	56,670
	1,795,691	225,918
Equities		
UK quoted	**418,248**	695,591
Overseas quoted	**1,027,669**	1,519,638
	1,445,917	2,215,229
Index-linked securities		
Overseas	**212,278**	-
	212,278	-
Pooled investment vehicles		
Residential Property Fund	**101,153**	29,131
Unit trusts	**3,161,159**	4,072,807
Other	**1,678**	7,466
	3,263,990	4,109,404
Derivative contracts		
Futures	**(1,321)**	(69)
Swap contracts	**(2,941)**	-
Options	**2,046**	-
Forward foreign exchange contracts	**(15,193)**	2,432
	(17,409)	2,363
Infrastructure/Private Equity		
UK Private Equity	**150**	150
Global Infrastructure	**252,382**	139,371
	252,532	139,521

Futures held as at 31 March 2018 were shown at asset level in the 2017/18 financial statements. Derivatives holdings have increased as at 31 March 2019 as a result of the new specialist fixed income mandates and are reported at category level in the analysis above. The reporting of futures held as at 31 March 2018 has been amended to align with this category level reporting.

9. Financial assets (continued)

Analysis of Derivatives

Objectives and policies for holding derivatives

Derivatives are held for hedging purposes to reduce risk in the Fund. In addition, derivatives may be used for speculative purposes to enhance returns.

The use of derivatives is managed in line with the investment management agreements in place between the fund and the various investment managers.

None of the derivatives held during the year were designated as hedging instruments for hedge accounting purposes.

(a) Futures

Futures are held to express a view on a particular market, within a particular market or within asset classes in a particular market and also to manage the overall duration exposure of the fund.

(b) Swap Contracts

Interest rate swaps are held to gain interest rate exposure and to express a view on the market pricing of interest rate expectations of a market.

Credit default swaps are held to provide flexibility in adjusting the credit-risk sensitivity of portfolios and as a more efficient means of gaining credit exposure than physical nominal bonds.

Inflation swaps are held to express a view on the market pricing of inflation expectations of a market and/or to take advantage of pricing dislocations between the cash (bond) and derivative (swaps) markets in inflation space.

(c) Options

Options are held to protect portfolios from expected market falls as well as for active management purposes using long and short positions.

(d) Forward Currency Contracts

Investments denominated in overseas currencies may be hedged into sterling at various times. The purpose of this action is to reduce the Fund's exposure to foreign currencies and fluctuations in exchange rates depending on conditions and expectations in these markets.

(e) Collateral

Derivative agreements are collateralised to reduce credit risk. Cash ringfenced as collateral as at 31 March 2019, totalling £17.3m, is included within investment cash deposits.

9. Financial assets (continued)

The market value of derivative contracts is analysed below.

(i) Futures

Type of contract	Expiration	Exposure £'000	Market Value 31 March 2019 £'000	Exposure £'000	Market Value 31 March 2018 £'000
Assets					
Overseas Fixed Income Futures	Under one year	(240,544)	195	-	-
Liabilities					
Overseas Fixed Income Futures	Under one year	(240,544)	(1,516)	(5,406)	(69)
Net Futures			(1,321)		(69)

(ii) Swap contracts

Expiration	Notional Principal £'000	Market Value 31 March 2019 £'000	Notional Principal £'000	Market Value 31 March 2018 £'000
Assets				
Up to 1 year	-	-	-	-
1 to 5 years	133,080	189	-	-
5 to 10 years	302,929	4,644	-	-
10 to 15 years	92,153	2,485	-	-
15 to 20 years	-	-	-	-
Over 20 years	51,357	363	-	-
Total assets		7,681		-

	Notional Principal £'000	Market Value 31 March 2019 £'000	Notional Principal £'000	Market Value 31 March 2018 £'000
Liabilities				
Up to 1 year	-	-	-	-
1 to 5 years	133,080	(106)	-	-
5 to 10 years	302,929	(9,985)	-	-
10 to 15 years	92,153	(239)	-	-
15 to 20 years	-	-	-	-
Over 20 years	51,357	(292)	-	-
Total liabilities		(10,622)		-
Net Swap Contracts		(2,941)		-

Nature of swap	Notional Principal £'000	Market Value 31 March 2019 £'000	Notional Principal £'000	Market Value 31 March 2018 £'000
Assets				
Interest rate swaps	276,590	2,761	-	-
Credit default swaps	181,698	4,881	-	-
Inflation swaps	122,232	39	-	-
Total assets		7,681		-

9. Financial assets (continued)

(ii) Swap contracts (continued)

	Notional Principal £'000	**Market Value 31 March 2019 £'000**	Notional Principal £'000	Market Value 31 March 2018 £'000
Liabilities				
Interest rate swaps	**276,590**	**(1,044)**	-	-
Credit default swaps	**181,698**	**(9,526)**	-	-
Inflation swaps	**122,232**	**(52)**	-	-
Total liabilities		**(10,622)**		-
Net swap contracts		**(2,941)**		-

(iii) Options

Investment underlying option contract	**Market Value 31 March 2019 £'000**	Market Value 31 March 2018 £'000
Assets		
Overseas equity	**732**	-
Overseas fixed interest	**704**	-
Overseas cash	**648**	-
Swaptions	**70**	-
Total assets	**2,154**	-
	Market Value 31 March 2019 £'000	Market Value 31 March 2018 £'000
Liabilities		
Overseas equity	**-**	-
Overseas fixed interest	**(23)**	-
Overseas cash	**-**	-
Swaptions	**(85)**	-
Total liabilities	**(108)**	-
Net options	**2,046**	-

Type of contract	**Market Value 31 March 2019 £'000**	Market Value 31 March 2018 £'000
Assets		
Call options	**995**	-
Put options	**1,159**	-
Total assets	**2,154**	-
	Market Value 31 March 2019 £'000	Market Value 31 March 2018 £'000
Liabilities		
Call options	**(13)**	-
Put options	**(95)**	-
Total liabilities	**(108)**	-
Net options	**2,046**	-

9. Financial assets (continued)

(iv) Open forward currency contracts

Number of contracts	Currency Bought	Local Value '000	Currency Sold	Local Value '000	Asset Value £'000	Liability Value £'000	Net Value £'000
5	EUR	32,436	GBP	(32,231)	**205**	**-**	**205**
2	EUR	4,428	OTHER	(4,395)	**33**	**-**	**33**
2	EUR	17,424	USD	(17,568)	**1**	**(146)**	**(145)**
27	GBP	451,186	EUR	(452,312)	**561**	**(1,687)**	**(1,126)**
2	GBP	68,129	JPY	(68,532)	**-**	**(403)**	**(403)**
22	GBP	46,310	OTHER	(46,565)	**15**	**(270)**	**(255)**
28	GBP	1,348	USD	(1,365)	**-**	**(17,429)**	**(17,429)**
1	JPY	201	GBP	(201)	**-**	**-**	**-**
2	JPY	11,013	USD	(11,099)	**-**	**(87)**	**(87)**
3	OTHER	1,319	EUR	(1,328)	**-**	**(9)**	**(9)**
21	OTHER	40,126	GBP	(39,794)	**357**	**(25)**	**332**
7	OTHER	55,820	USD	(55,979)	**37**	**(196)**	**(159)**
3	USD	59,082	EUR	(58,755)	**328**	**-**	**328**
12	USD	238,062	GBP	(234,879)	**3,183**	**-**	**3,183**
16	USD	183,744	OTHER	(183,406)	**579**	**(240)**	**339**
Total					**5,299**	**(20,492)**	**(15,193)**

UK Leaving the European Union

NILGOSC holds £1,435m (converted at exchange rate at 31 March 2019) of investment assets in non-sterling currencies. The value of sterling has fluctuated since the referendum on leaving the European Union and could fluctuate further during the negotiating period. Equally the value of assets held in sterling have also fluctuated due to changes in the value of sterling or the outlook for the UK economy. NILGOSC has taken some limited steps to hedge currencies as described above but, as a long-term investor, can tolerate the market and currency risk.

Single Investments Exceeding 5% of the Net Assets of the Scheme

Details of any single investment exceeding 5% of the net assets of the Scheme are provided in the table below.

Security	Market Value 31 March 2019 £'000	% of Total Fund	Market Value 31 March 2018 £'000	% of Total Fund
Legal & General – Europe (ex UK) Equity Index	302,891	3.77%	490,410	6.50%
Legal & General – Japan Equity Index – GBP Hedged	232,334	2.89%	390,120	5.17%
Legal & General – Over 5y Index-Link Gilts	1,160,154	14.43%	866,900	11.48%
Legal & General – AAA-AA-A Corporate Bond All Stocks Index Fund	-	-	486,185	6.44%

Employer-Related Investments

The Scheme had no employer-related investments as at 31 March 2019 or 31 March 2018.

9. Financial assets (continued)

AVC Investments

NILGOSC provides an Additional Voluntary Contribution (AVC) Scheme for its members with two AVC providers, Equitable Life Assurance Society and Prudential Assurance Company Limited. The assets of the AVC Scheme are invested separately from the NILGOSC pension fund and therefore these amounts are not included in NILGOSC's net assets.

Members participating in this arrangement each receive an annual statement made up to 31 March confirming the amounts held to their account and the movements in the year.

The table below shows the movement in AVC investments during the year.

			2018/19			2017/18
	Equitable Life £' 000	**Prudential £' 000**	**Total £' 000**	Equitable Life £' 000	Prudential £' 000	Total £' 000
Value at start of year	**276**	**25,043**	**25,319**	293	23,325	23,618
Contributions invested	**2**	**6,715**	**6,717**	2	7,267	7,269
Sales of investments	**(50)**	**(6,216)**	**(6,266)**	(25)	(5,759)	(5,784)
Change in market value	**9**	**694**	**703**	6	210	216
Value at end of year	**237**	**26,236**	**26,473**	276	25,043	25,319

10. Investment property

	2018/19 £' 000	2017/18 £' 000
Fair Value		
At start of year	**756,500**	721,580
Additions	**22,691**	948
Sales	**(12,046)**	(7,269)
Gains arising from changes in fair values	**565**	41,241
At end of year	**767,710**	756,500

The investment properties were valued as at 31 March 2019 by qualified professional valuers working for BNP Paribas Real Estate, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institute of Chartered Surveyors (RICS).

The properties were valued on the basis of Market Value which is an internationally recognised basis and is defined as 'the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion'. All valuations were carried out in accordance with the RICS Appraisal and Valuation Standards.

NILGOSC received net rental income of £35.7m (2017/18: £34.9m) in respect of these investment properties.

The investment properties are leased to tenants under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewable rights.

10. Investment property (continued)

The future minimum lease receipts (discounted to present value) under non-cancellable operating leases expiring:

	2018/19 £' 000	2017/18 £' 000
Not later than one year	**36,031**	34,480
Later than one year and not later than five years	**114,190**	112,782
Later than five years	**192,807**	188,763
	343,028	336,025

11. Investment management expenses

	2018/19 £' 000	2017/18 £' 000
Administration, management and custody	**15,073**	17,071
Performance measurement services	**31**	26
Other advisory fees	**422**	351
Transaction costs and trading expenses	**2,946**	2,375
	18,472	19,823

Investment management expenses mainly consist of fees paid to Fund Managers in respect of the management and investment of funds on NILGOSC's behalf. These fees vary from year to year as they are based on the market value of investments held, and in some cases, include a performance based fee element. In addition, fees paid in respect of investment advice, custody services and property valuations are included within investment management expenses.

Transaction costs and trading expenses include commissions, stamp duty and other trade related charges. Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are reflected in the cost of purchases or sales proceeds (see Note 9 – Financial assets).

12. Intangible assets

	Computer Software £' 000
Cost	
At 1 April 2018	**764**
Additions	**66**
Disposals	**(100)**
At 31 March 2019	**730**
Amortisation	
At 1 April 2018	**587**
Charge for the year	**51**
Amortisation on disposals	**(100)**
At 31 March 2019	**538**
Net book value	
At 31 March 2018	**177**
At 31 March 2019	**192**

	Computer Software £' 000
Cost	
At 1 April 2017	**613**
Additions	**151**
Disposals	**-**
At 31 March 2018	**764**
Amortisation	
At 1 April 2017	**486**
Charge for the year	**101**
Amortisation on disposals	**-**
At 31 March 2018	**587**
Net book value	
At 31 March 2017	**127**
At 31 March 2018	**177**

Computer software is amortised on a straight-line basis over a period of three years. All the intangible assets are owned by NILGOSC.

13. Property, plant and equipment

	Property £' 000	Fixtures, Fittings & Equipment £' 000	Refurbishment £' 000	Total £' 000
Cost				
At 1 April 2018	1,300	400	-	**1,700**
Revaluation	-	-	-	**-**
Additions	-	49	24	**73**
Disposals	-	(35)	(24)	**(59)**
At 31 March 2019	**1,300**	**414**	**-**	**1,714**
Depreciation				
At 1 April 2018	-	313	-	**313**
Charge for the year	52	52	1	**105**
Revaluation Adjustment	(52)	-	-	**(52)**
Depreciation on disposals	-	(32)	(1)	**(33)**
At 31 March 2019	-	**333**	**-**	**333**
Net book value				
At 31 March 2018	1,300	87	-	**1,387**
At 31 March 2019	**1,300**	**81**	**-**	**1,381**

13. Property, plant and equipment (continued)

	Property £' 000	Fixtures, Fittings & Equipment £' 000	Refurbishment £' 000	Total £' 000
Cost				
At 1 April 2017	1,225	405	977	**2,607**
Revaluation	75	-	-	**75**
Additions	-	61	-	**61**
Disposals	-	(66)	(977)	**(1,043)**
At 31 March 2018	**1,300**	**400**	**-**	**1,700**
Depreciation				
At 1 April 2017	-	335	778	**1,113**
Charge for the year	49	44	21	**114**
Revaluation Adjustment	(49)	-	-	**(49)**
Depreciation on disposals	-	(66)	(799)	**(865)**
At 31 March 2018	**-**	**313**	**-**	**313**
Net book value				
At 31 March 2017	1,225	70	199	**1,494**
At 31 March 2018	**1,300**	**87**	**-**	**1,387**

The property was valued as at 31 March 2019 by qualified professional valuers working for BNP Paribas Real Estate, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institute of Chartered Surveyors (RICS). The property was valued on the basis of Market Value. The valuation was carried out in accordance with the RICS Appraisal and Valuation Standards. All the property, plant and equipment are owned by NILGOSC.

14. Revaluation reserve

	2018/19 £'000	2017/18 £'000
At 1 April 2018	**(197)**	(251)
Revaluation during the year	**(52)**	(124)
Refurbishment disposal	**23**	178
At 31 March 2019	**(226)**	(197)

In 2018/19 the cost and accumulated depreciation in respect of any refurbishment of Templeton House is adjusted through the revaluation reserve and reflected in the valuation of the property as at 31 March 2019.

15. Trade and other receivables

	2018/19 £'000	2017/18 £'000
Receivables and other current assets *	**17,031**	20,160
VAT and other receivables	**-**	1,923
Less: Provision for impairment of receivables	**(1,064)**	(677)
Receivables and other current assets-net	**15,967**	21,406
Pension contributions due **	**17,688**	11,319
Prepayments and accrued income ***	**3,946**	30,166
	37,601	62,891

* Rental debt has been reclassified from prepayments and accrued income to receivables and other current assets. The comparative year figures have been reclassified for consistency purposes.

** All contributions due to the Scheme relate to the month of March 2019 and were paid in full to the Scheme within the timescale required by the Local Government Pension Scheme Regulations (Northern Ireland) 2014.

*** Prepayments and accrued income in 2017/18 include accrued income of £240k which has been reclassified and is included within receivables and other current assets in 2018/19.

In 2017/18 VAT and other receivables and prepayments and accrued income included investment income due of £8.2m which is included within Financial assets in 2018/19.

No prior year adjustment or restatement of comparatives was deemed necessary on materiality grounds.

16. Cash and cash equivalents

Cash and cash equivalents includes short-term deposits with banks and other financial institutions, with an initial maturity of one month or less. The carrying amount of these assets approximates their fair value.

	2018/19 £'000	2017/18 £'000
At 1 April	**63,727**	34,869
Net change in cash balances	**(57,447)**	28,858
	6,280	63,727
The following balances at 31 March were held at:		
Commercial banks and cash in hand	**6,280**	16,298
Investment cash	**-**	47,429
	6,280	63,727

In 2018/19 all cash balances held by NILGOSC's custodian for the purposes of investment trading by the investment managers is classified as investment cash in note 9.

No prior year adjustment or restatement of comparatives was deemed necessary on materiality grounds.

17. Trade and other payables

	2018/19 £'000	2017/18 £'000
Trade payables and other current liabilities	**167**	2,084
Unpaid benefits	**6,257**	4,705
Social security and other taxes	**2,723**	2,351
Accruals and deferred income	**12,528**	13,841
	21,675	22,981

18. Retirement benefit obligations

NILGOSC provides pension arrangements for the benefit of its employees through the NILGOSC Scheme. The NILGOSC Scheme is known as the Local Government Pension Scheme (Northern Ireland) and is a funded defined benefit scheme. Benefits earned up to 31 March 2015 are linked to final salary. Benefits earned after 31 March 2015 are based on a Career Average Revalued Earnings scheme.

The funded nature of the Local Government Pension Scheme requires the employer and its employees to pay contributions into the pension scheme, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the Local Government Pension Scheme Regulations (Northern Ireland) 2014 (as amended) and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate within the report on the Actuarial Valuation as at 31 March 2016. An actuarial valuation of the Fund will be carried out at 31 March 2019 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the three year period from 1 April 2020.

The Fund Administering Authority, Northern Ireland Local Government Officers' Superannuation Committee is responsible for the governance of the Pension Fund.

The NILGOSC Scheme is a multi-employer scheme. The assets allocated to the Employers in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole is shown in this note.

At 31 March 2019 NILGOSC, in its capacity as a participating employer, had 78 active members (2017/18:80), 65 deferred members (2017/18:60) and 22 pensioners (2017/18:20) in the scheme.

Net defined benefit liability

	2018/19 £'000	2017/18 £'000
Fair value of assets	**12,521**	11,366
Present value of funded defined benefit obligation	**(17,177)**	(16,108)
Net defined benefit liability	**(4,656)**	(4,742)

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active members	**47%**
Deferred pensioners	**18%**
Pensioners	**35%**

The estimated duration of the Fund's liabilities is 22.3 years.

18. Retirement benefit obligations (continued)

Financial assumptions

A full actuarial valuation of the NILGOSC defined benefit scheme was carried out as at 31 March 2016. The financial assumptions have been updated by independent qualified actuaries to take account of the requirements of IAS 19 in order to assess the liabilities of the Scheme at 31 March 2019. The discount rate is based on the duration of liabilities for members employed/previously employed by NILGOSC, and not the NILGOSC fund as a whole, and may differ from the discount rate utilised for the IAS 26 actuarial present value of promised retirement benefits disclosed in Note 21.

	2018/19 %	2017/18 %
Rate of increases in salaries	**3.6**	3.5
Discount rate	**2.5**	2.6
Inflation / Pension increase rate	**2.1**	2.0

Demographic assumptions

There has been a change in the demographic assumptions over the period as regards the assumption for future improvements to post-retirement mortality rates. This change reflects the significant slow-down in observed improvements nationally over recent years. The mortality projection model has moved from CMI_2014 to CMI_2017. The updated project model allows for mortality data over 2014 to 2017 – a period over which the mortality improvements have been significantly lower than that indicated by CMI_2014. The impact of this change is seen in a more positive balance sheet position than if demographic assumptions at the start of the year had been utilised. Based on these assumptions, the average life expectancies at age 65 are summarised below.

	2018/19 Years	2017/18 Years
Retiring today:		
Males	**22.6**	23.3
Females	**24.9**	25.9
Retiring in 20 years:		
Males	**24.3**	25.5
Females	**26.7**	28.2

The next funding valuation of the Scheme is due to be carried out as at 31 March 2019.

The major categories of assets as a percentage of total plan assets are:

	2018/19 %	2017/18 %
Equities	**59.5**	71.4
Bonds	**23.5**	12.4
Property	**11.2**	10.0
Cash	**2.7**	4.5
Other	**3.1**	1.7

18. Retirement benefit obligations (continued)

Analysis of amounts charged against profits

	2018/19 £' 000	2017/18 £' 000
Operating cost		
Current service cost	**673**	650
Total	**673**	650
Finance cost		
Interest on net defined benefit liability	**118**	113
Total	**118**	113

Remeasurement gains and losses

	2018/19 £' 000	2017/18 £' 000
Return on plan assets in excess of that recognised in net interest	**(530)**	(269)
Actuarial losses due to change in financial assumptions	**762**	-
Actuarial gains due to changes in demographic assumptions	**(717)**	-
Actuarial losses due to liability experience	**29**	69
Net gain	**(456)**	(200)

Scheme assets

Changes in fair value of the scheme assets are as follows:

	2018/19 £' 000	2017/18 £' 000
Fair value of scheme assets at start of year	**11,366**	10,527
Interest income on assets	**300**	278
Contributions by members	**138**	132
Contributions by the employer	**421**	387
Benefits paid	**(234)**	(227)
Re-measurement gains on assets	**530**	269
Fair value of scheme assets at end of year	**12,521**	11,366

The actual return on assets is as follows:

	2018/19 £' 000	2017/18 £' 000
Interest income on assets	**300**	278
Re-measurement gain on assets	**530**	269
Actual return on assets	**830**	547

18. Retirement benefit obligations (continued)

Present value of defined benefit obligation

Changes in the present value of retirement benefit obligations are as follows:

	2018/19 £' 000	2017/18 £' 000
Present value of obligations at start of year	**16,108**	15,093
Current service cost	**673**	650
Interest cost	**418**	391
Contributions by members	**138**	132
Benefits paid	**(234)**	(227)
Actuarial losses on liabilities – change in financial assumptions	**762**	-
Actuarial gains on liabilities – change in demographic assumptions	**(717)**	-
Actuarial losses on liabilities – experience	**29**	69
Present value of obligation at end of year	**17,177**	16,108

Sensitivity analysis

A sensitivity analysis for each significant actuarial assumption is provided below. This shows the approximate impact of changing the assumption noted on the present value of the funded defined benefit obligation as at 31 March 2019 and 31 March 2018. In each case only the assumption stated is altered; all other assumptions remain the same.

Discount rate assumption

	31 March 2019		31 March 2018	
Adjustment to discount rate	**+0.1% p.a.**	**-0.1% p.a.**	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£000's)	**16,798**	**17,564**	15,753	16,471
% change in present value of total obligation	**-2.2%**	**2.3%**	-2.2%	2.3%
Projected service cost (£000's)	**680**	**727**	651	696
Approximate % change in projected service cost	**-3.3%**	**3.4%**	-3.3%	3.4%

Rate of general increase in salaries

	31 March 2019		31 March 2018	
Adjustment to salary increase rate	**+0.1% p.a.**	**-0.1% p.a.**	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£000's)	**17,286**	**17,069**	16,210	16,007
% change in present value of total obligation	**0.6%**	**-0.6%**	0.6%	-0.6%
Projected service cost (£000's)	**703**	**703**	673	673
Approximate % change in projected service cost	**0.0%**	**0.0%**	0.0%	0.0%

18. Retirement benefit obligations (continued)

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption

	31 March 2019		31 March 2018	
Adjustment to pension increase rate	**+0.1% p.a.**	**-0.1% p.a.**	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£000's)	**17,454**	**16,905**	16,368	15,853
% change in present value of total obligation	**1.6%**	**-1.6%**	1.6%	-1.6%
Projected service cost (£000's)	**727**	**680**	696	651
Approximate % change in projected service cost	**3.4%**	**-3.3%**	3.4%	-3.3%

Post retirement mortality assumption

	31 March 2019		31 March 2018	
*Adjustment to mortality age rating assumption**	**-1 year**	**+ 1 year**	-1 year	+ 1 year
Present value of total obligation (£000's)	**17,710**	**16,649**	16,578	15,640
% change in present value of total obligation	**3.1%**	**-3.1%**	2.9%	-2.9%
Projected service cost (£000's)	**729**	**677**	697	649
Approximate % change in projected service cost	**3.8%**	**-3.7%**	3.5%	-3.5%

* A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

Risks associated with the Fund in relation to accounting

The risks associated with the Fund in relation to accounting are set out below.

Asset volatility	The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform, this yield will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which, while expected to outperform corporate bonds in the long term, creates volatility and risk in the short term in relation to the accounting figures.
Changes in Bond Yield	A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.
Inflation Risk	The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.
Life Expectancy	The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.
Exiting Employers	As set out in the Fund's Funding Strategy Statement, NILGOSC seeks to remove as much of the risk as possible of remaining Fund employers being required to make contributions in future to meet the liabilities of departed employers by carrying out a cessation valuation when an employer leaves the Scheme. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

18. Retirement benefit obligations (continued)

Future cash flows

An estimate of the expected employer's regular contributions to the Fund for the accounting period ending 31 March 2020 is £456k.

19. Staff Numbers and Related Costs

Staff costs comprise:

	Permanently employed staff £' 000	Others £' 000	2018/19 Total £' 000	2017/18 Total £' 000
Wages and salaries	1,890	327	2,217	2,151
Social security costs	158	23	181	161
Other pension costs	628	45	673	650
Total	2,676	395	3,071	2,962

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	Permanently employed staff	Others	2018/19 Total	2017/18 Total
Directly employed	65	17	82	84
Total	65	17	82	84

More detailed disclosures in respect of staff costs are provided within the Accountability Report on page 65.

20. Risks Arising from Financial Instruments

NILGOSC's investment strategy seeks to maximise the returns from investments within a range of risk parameters and it reduces investment risk to an acceptable level by investing in a well diversified range of asset classes, countries, sectors and securities.

Consideration of investment risk forms part of the overall risk management framework and all risks, including investment risks, are reviewed and monitored quarterly at a management and Committee level. Overall responsibility for risk management lies with the Committee.

All financial instruments, including cash deposits, present a risk of loss of capital and those risks will vary depending on the asset type. Investment risk will also be impacted by wider economic conditions and investor sentiment.

Market risk	Market risk or price risk is the risk of capital loss as a result of a fall in the price of investments. Fluctuations in price can arise from a variety of sources including interest rate risk, credit risk, currency risk and liquidity risk. The Fund is exposed to market risk across all its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. To mitigate market risk, the NILGOSC Committee and its investment advisors review each investment manager's performance quarterly and consider the asset allocation of the Fund formally as part of the review of the investment strategy.
Interest rate risk	Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. NILGOSC and its investment advisors monitor the Fund's interest rate exposure and individual investment mandates limit this exposure through the use of derivatives.
Credit risk	Credit risk is the risk that the counterparty to a transaction or financial instrument will fail to discharge its obligation resulting in a financial loss. This risk is generally reflected in the market price of securities, resulting in the risk being implicitly accounted for in the carrying value of the Fund's investments. Cash deposits, derivatives and stock lending are the areas of exposure where credit risk is not reflected in market prices. The Fund is exposed to credit risk in respect of its investment portfolio and this risk is managed through the selection and use of high quality counterparties and financial institutions.
Currency risk	Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. As a global investor whose liabilities are sterling based, NILGOSC is exposed to fluctuations in exchange rates which can affect the valuation of its investments. The Fund reduces its exposure to foreign currencies and fluctuations in exchange rates through the use of derivatives.
Liquidity risk	Liquidity risk or cash flow risk is the risk that adequate cash resources will not be available to meet commitments such as the payment of benefits or future investment commitments as they fall due. To manage this risk NILGOSC operates a robust treasury management framework and maintains immediate access to its cash holdings.

21. Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the actuarial present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

The actuarial present value of promised retirement benefits at 31 March 2019 was £9,992m (31 March 2018: £9,407m). To assess the value of the benefits on this basis, the following financial and mortality assumptions have been used.

Financial assumptions

A full actuarial valuation of the NILGOSC defined benefit scheme was carried out as at 31 March 2016. The financial assumptions have been updated by independent qualified actuaries to take account of the requirements of IAS 19.

	31 March 2019 %	31 March 2018 %
Rate of increases in salaries	**3.7**	3.6
Discount rate	**2.4**	2.6
Inflation / Pension increase rate	**2.2**	2.1

Demographic assumptions

There has been a change in the demographic assumptions over the period as regards the assumption for future improvements to post-retirement mortality rates. This change reflects the significant slow-down in observed improvements nationally over recent years. The mortality projection model has moved from CMI_2014 to CMI_2017. The updated project model allows for mortality data over 2014 to 2017 – a period over which the mortality improvements have been significantly lower than that indicated by CMI_2014. The impact of this change is seen in a more positive balance sheet position than if demographic assumptions at the start of the year had been utilised. Based on these assumptions, the average life expectancies at age 65 are summarised below:

	2018/19 Years	2017/18 Years
Retiring today:		
Males	**22.6**	23.3
Females	**24.9**	25.9
Retiring in 20 years:		
Males	**24.3**	25.5
Females	**26.7**	28.2

The discount rate has reduced by 0.2% and the CPI inflation assumption has increased by 0.1% which would have resulted in a less positive balance sheet. The impact of the change in demographic assumptions has resulted in an overall increase in the actuarial present value of promised retirement benefits resulting from changes in actuarial assumptions.

The net assets available for benefits are £8,040m giving a shortfall of £1,952m when compared to the actuarial present value of promised retirement benefits of £9,992m calculated on an IAS 19 basis.

21. Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26 (continued)

McCloud/Sargeant and GMP Indexation and Equalisation

Estimates for the impact of legal rulings on the actuarial present value of promised retirement benefits are excluded from the assumptions and estimates in the actuarial calculations. Based on the calculations set out in the Government Actuary's Department (GAD) paper, the actuary has estimated that the impact on the overall fund of McCloud/Sargeant would increase the liability by approximately £156m. Similarly, if HM Treasury's solution to GMP equalisation should extend the interim solution indefinitely then this is estimated to increase the overall liability by £40m. The overall impact of remedy in both cases is estimated to raise the actuarial present value of promised retirement benefits to £10,188m.

Details of the funding position of the Scheme and preparations for the 2019 actuarial valuation are included in the Actuarial Statement on pages 109 to 111.

22. Performance against key financial targets

The Department for Communities does not consider it appropriate to set key financial targets for NILGOSC.

23. Contingent liabilities

NILGOSC has contingent liabilities where the possibility of a liability crystallising is judged to be possible. Unless otherwise stated, the quantum of the liability can either not be determined with reasonable certainty or to quantify it would jeopardise the outcome of any legal action.

Cost Management Process and McCloud Judgement

In December 2018 the Court of Appeal ruled against the Government in the 'McCloud/Sargeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory. The ruling potentially has implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated.

The Supreme Court has rejected an appeal application and the case has been referred back to the Employment Tribunal to agree what the remedy will be following appropriate consultation.

In considering the potential impact on the NILGOSC accounts, for the sake of prudence it has been assumed that the remedy would be equivalent to extending the 'best of both' underpin to all members.

The Government Actuary's Department (GAD), under instruction from the LGPS Scheme Advisory Board (England and Wales), has calculated a worst-case IAS 19 accounting liability of 3.2% increase in active liabilities and 3% increase in the current service costs. On the basis that approximately one third of liabilities are active liabilities this would equate to a 1% increase in the defined benefit obligation, should the agreed remedy for the LGPS to extend the 'underpin' protections to all members go ahead. This estimate is at an overall Scheme level encompassing a range of different assumptions typically used by employers to report pension costs.

Applying this 1% increase in benefit obligation, the estimated impact for NILGOSC as an employer at £172k is not considered material to the accounts and no change to the present value of funded defined benefit obligation in note 18 has been made.

The impact of extending the "best of both" underpin to all retirees since the introduction of the Local Government Pension Scheme Regulations (Northern Ireland) 2014 effective from 1 April 2015 has been considered from the perspective of the administering scheme. Due to the small numbers affected, the total underpin estimate since the introduction of the new scheme indicates a figure immaterial to the administering scheme.

GMP Indexation and Equalisation

On 26 October 2018, the High Court ruled in the case of Lloyds Banking Group pension scheme that defined benefit pension in relation to Guaranteed Minimum Pension (GMP) should be amended to equalise the benefits for men and women. The issues determined by this ruling apply to many other defined benefit schemes including the NILGOSC Pension Scheme.

GMP is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. All of the public service schemes, including the LGPS (NI) were contracted out.

In March 2016 the government introduced an 'interim solution' which made the LGPS (NI) responsible for paying the full increases on GMPs for individuals reaching State Pension Age (SPA) from 5 April 2016 through 6 December 2018. This cost was accounted for in 2017.

In January 2018 the Government extended the interim solution to individuals reaching SPA before 5 April 2021, passing further cost to the LGPS (NI). Government policy is to fully index and equalise GMP pensions for men and women reaching SPA after 5 April 2021 but has not yet enacted this in legislation. This has not yet been accounted for in the retirement obligation calculation in note 18.

23. Contingent liabilities (continued)

The Fund's actuary has estimated that the potential IAS 19 accounting liability of full GMP indexation (and equalisation) for members reaching State Pension Age (SPA) from 6 December 2018 to be in the region of 0.4% of the defined benefit obligation.

Applying this 0.4% increase in benefit obligation, the estimated impact for NILGOSC as an employer at £96k is not considered material to the accounts and no change to the present value of funded defined benefit obligation in note 18 has been made.

The impact to the administrating scheme has been considered should the remedy require NILGOSC to make good on the incremental increase from April 2017. Based on the membership profile of those in receipt of GMP i.e. deferred members and pensioners reaching SPA between 05/04/16 and 06/04/19, the annual adjustment estimate for GMP indexation and equalisation is immaterial to the administering scheme.

24. Contractual commitments

Outstanding capital commitments (investments) at 31 March 2019 totalled £200m (31 March 2018: £198m). These relate to outstanding amounts committed, but not yet paid, to unquoted limited partnership funds held in the private equity/infrastructure part of the portfolio. The amounts requested by these funds are variable in both size and timing over a period of 5-6 years from the date of the original agreement.

25. Related party transactions

NILGOSC is a Non-Departmental Public Body sponsored by the Department for Communities. The Department for Communities is regarded as a related party and transactions were not considered to be material.

Details of allowances paid during the year to members of the Committee are shown in the Remuneration Report on page 63. None of the Committee members have undertaken any other material transactions with NILGOSC during the year.

None of the members of the key management staff or other related parties have undertaken any material transactions with NILGOSC during the year.

26. Summary of losses and special payments

(i) Losses

Losses incurred on the sale of investments are disclosed within "Change in Market Value" in Note 9 to the Financial Statements and "Gains/losses arising from changes in fair value of investment properties" in Note 10 to the Financial Statements.

Losses incurred during the year in respect of pension overpayments total £95,682. £5,683 relates to the non-recovery of pensioner overpayments as a result of death, £2,722 of which relates to a suspected pension payroll fraud following the unreported death of a member. This case was reported to the Department for Communities on 25 September 2018.

The balance of pension overpayment write-offs, £89,999, relates to non-death pensioner overpayments as a result of the GMP reconciliation exercise. On 30 March 2018 the Permanent Secretary of the Department for Communities gave approval for all overpayments arising from the GMP exercise to be written off. Further details in respect of the GMP reconciliation exercise are provided in the Performance Analysis section of this Annual Report on page 15.

Bad debts written off during the year total £4,256,113. £3,807,356 relates to the irrecoverable cessation debt of three employing authorities with £17,250 of this debt provided for in 2017/18. An additional £445,756 of irrecoverable accrued loan interest income for a property investment was written off following the disposal of the property in October 2018. The balance of the write-offs reflects tax reclaims deemed irrecoverable in 2018/19 of £17,245 after an adjustment for recovery of prior year write-offs on rental debt of £14,244. These write-offs required Department of Finance approval which was received on 7 June 2019.

(ii) Special payments

There were no special payments during the year.

27. Post Balance Sheet Events

There have been no significant events since 31 March 2019.

The Financial Statements were authorised for issue by the Accounting Officer on 4 September 2019.

ACTUARIAL STATEMENT

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Northern Ireland Local Government Officers' Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon, in accordance with Regulation 68 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014.

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2016 (of £5,820.1M) covering 96% of the liabilities allowing, in the case of pre- 1 April 2015 membership for current contributors to the Fund, for future increases in pensionable pay.

2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 is:

    - 19.3% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date,

    Plus

    - Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 20 years from 1 April 2017, equivalent to 1.7% of pensionable pay (or £14.8M in 2017/18, and increasing by 3.5% p.a. thereafter).

3. In practice, each employer's position is assessed separately, although a large number of the employers are grouped together (in the Main Employer Group) for the purpose of setting employer contribution rates. The resulting contributions payable by each employer are set out in Aon's report dated 29 March 2017 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and employers' recovery periods were agreed with the Northern Ireland Local Government Officers' Superannuation Committee (the Committee) reflecting the employers' circumstances.

5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

In-service discount rate Main Employer Group funding target Intermediate funding target Orphan body funding target	 4.5% p.a. 4.5% p.a. 4.5% p.a.
Left-service discount rate Main Employer Group funding target Intermediate funding target Orphan body funding target	 4.5% p.a. 3.5% p.a. 2.5% p.a.
Rate of pay increases (service up to 31 March 2015 only) (additional allowance made for promotional increases)	3.5% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

In addition the discount rate for orphaned liabilities (i.e. employers with no active members and where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in-service and left-service.

The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI 2014) Core Projections with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting assumed life expectancies at age 65 were:

	Men	Women
Current pensioners aged 65 at the valuation date	23.1	25.7
Future pensioners aged 45 at the valuation date	25.3	28.0

The assets were valued at market value.

Further details of the assumptions adopted for the valuation are set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 29 March 2017. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2019 in accordance with Regulation 68 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014.

8. Since the date the valuation report was signed, there have been a number of developments in respect of the Local Government Pension Scheme (LGPS) NI:

   - **Increases to GMPs:**

     HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, announced an extension of the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off in advance of this announcement, but the increase in liability is not expected to be material. In addition, on 26 October 2018 the High Court ruled in the Lloyds Banking Group case that schemes are required to equalise male and female members' benefit for the effect of unequal GMPs. Our understanding is that this will not alter HM Treasury's approach to GMP equalisation in the LGPS.

   - **Cost Management Process and McCloud judgement:**

     Legislation requires HM Treasury to monitor the cost of the LGPS (NI) to ensure it remains sustainable and affordable. At the time of writing this Actuarial Statement, calculations carried out by the Government Actuary's Department in line with the draft Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions (Northern Ireland) 2018 indicated that the cost cap floor had been breached and benefit improvements were required as a result of the cost management process. Proposed changes to members' benefits were expected to be effective from 1 April 2019. However, the cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) were age discriminatory; these cases could have knock on implications for the LGPS NI (potentially increasing the liabilities) which also had transitional arrangements when the new scheme was introduced with effect from April 2015.

9. The actuarial valuation of the Fund as at 31 March 2019 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions commencing from 1 April 2020 to be signed off by 31 March 2020. Asset values have increased in value since 2016, on its own leading to an improvement in the funding level due to higher than assumed investment returns. Liability values and employer contributions, as well as being affected by the items listed in paragraph 8 above, will depend upon membership factors, changes to expectations of future returns and other assumptions (including allowance for the slow-down in longevity improvements) and any changes to funding strategy made as part of the 2019 valuation.

10. This Statement has been prepared by the current Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

    This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

    Aon does not accept any responsibility or liability to any party other than the Committee in respect of this Statement.

11. The report on the actuarial valuation as at 31 March 2016 is available on the Fund's website at the following address:
    https://www.nilgosc.org.uk/resources/category/21/valuation-reports.aspx

Aon Hewitt Limited
May 2019

APPENDICES

ANNUAL EQUALITY STATEMENT YEAR ENDED 31 MARCH 2019

NILGOSC's Equality Scheme states that it will report on the progress it has made in the delivery of its Section 75 statutory duties.

Our Commitment

NILGOSC re-affirms its commitment to the fulfilment of its duties under Section 75 of the Northern Ireland Act 1998 in that it will have due regard to the need to promote equality of opportunity:

- Between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- Between men and women generally;
- Between persons with a disability and persons without; and,
- Between persons with dependants and persons without.

In addition, without prejudice to its obligations above, NILGOSC shall, in carrying out its functions, have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

Promotion of Equality of Opportunity

NILGOSC has demonstrated its commitment to the promotion of equality of opportunity during 2018/19 and the equality agenda continues to be promoted and supported by the most senior levels of the organisation.

The NILGOSC Corporate Plan for 2018/19 included objectives relating to equality and good relations. The Senior Management Team has monitored the implementation of these objectives on a quarterly basis.

Implementation of the Equality Scheme

NILGOSC carried out a full review and consultation of its approved Equality Scheme in late 2016 and published an updated Scheme on 9 March 2017. The Equality Scheme was further reviewed in September 2018 in light of the proposed introduction of the My NILGOSC Pension *Online* system, which provides members and pensioners with online access to their pension records. There was a minor amendment to the Scheme to reflect that some member communications would be made available via this new system going forward. NILGOSC consulted with the Equality Commission for Northern Ireland regarding this, who approved the change without the need for further consultation.

NILGOSC carried out its duties in relation to the Equality Scheme throughout 2018/19 to ensure that its policies and procedures are fair and lawful. A number of the actions set out in the Equality Action Plan 2018-2021 were progressed during the year, as set out below:

- Since 2015, NILGOSC enrols all staff onto a CPD accredited e-learning course entitled "Equality and Diversity in the Northern Ireland Workplace". This course continues to be completed by all staff on an annual basis and any new staff as part of the induction process. All Committee members have also completed the course.

- The Purchasing Policy has been updated to reflect consideration of equality implications.

- The Good Relations Statement was revised and re-issued.

- An accessibility audit of NILGOSC's premises was completed in September 2016. Work was carried out in September 2018 to improve access to the ground floor public meeting room and the disabled toilet facilities.

- Following on from the data gathered as part of the Audit of Inequalities, recruitment advertising continues to target underrepresented groups by welcoming applications from males, people with disabilities and Roman Catholics.

- The Recruitment and Selection policy was reviewed to ensure that the needs of disabled applicants are taken into account, reasonable adjustments are made and Recruitment and Selection training is provided for recruitment panel members.

- A new Basic Guide to the Pension Scheme has been designed and published on the website.

In line with its Equality Scheme, NILGOSC carried out screening of any new or revised policies for equality impacts during 2018/19 and published quarterly screening reports on the website. No equality complaints were received during the year.

NILGOSC continues to provide its publications in alternative formats on request.

Those who require further information about the NILGOSC Equality Scheme or would prefer to receive this document in an alternative format (such as in large print, in Braille, on audio cassette or on computer disc) and/or language, please contact the Equality Officer at:

Address: NILGOSC, Templeton House, 411 Holywood Road, Belfast, BT4 2LP

Telephone:	0345 3197 320
Typetalk:	18001 0345 3197 320 (for people using a textphone)
Fax:	0345 3197 321
Email:	equality@nilgosc.org.uk

Copies of the Equality Scheme and this Annual Equality Statement are also available on the Internet at www.nilgosc.org.uk/equality-scheme.

ANNUAL REPORT OF THE AUDIT AND RISK ASSURANCE COMMITTEE FOR YEAR ENDED 31 MARCH 2019

1 Purpose

1.1 The purpose of this report is to provide the Management Committee with an annual report on the activity of the Audit & Risk Assurance Committee (ARAC) during the year ended 31 March 2019.

1.2 This report provides a summary of the main areas and issues considered by the ARAC during 2018/19.

2 Constitution of the Audit & Risk Assurance Committee

2.1 The Management Committee established an ARAC to act in an advisory capacity.

2.2 Bumper Graham's term of appointment to the Management Committee ended on 31 December 2018. As at 31 March 2019, there were four members of the ARAC.

2.3 The ARAC is charged with advising the Management Committee on:

- the strategic processes for risk, control and governance, and the Governance Statement.
- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of errors identified, and management's letter of representation to the external auditors.
- the planned activity and results of both internal and external audits.
- the adequacy of management responses to issues identified by audit activity, including external audit's management letter.
- assurances relating to the corporate governance requirements for the organisation.
- proposals for tendering for Internal Audit services.
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

2.4 Other individuals also regularly attend the meetings of the ARAC including NILGOSC's Executive Team, the Finance Manager, the Head of Governance & Support Services, the Governance Manager, the Internal and External Auditors and a Departmental representative.

2.5 Following each meeting, the Chairperson of the ARAC provides a verbal report to the Management Committee, providing an overview of the discussions and highlighting any issues that are considered to be significant. Minutes of the ARAC meetings are also circulated to members of the Management Committee following approval.

3 Financial Reporting

3.1 The Annual Report and Accounts 2017/18 were prepared in line with changes to the FReM and relevant accounting guidance. This was presented to the ARAC on 13 August 2018. In line with DAO (DFP) 10/12 'Requirement to Complete a Governance Statement', the Chief Executive prepared his Governance Statement for 2017/18, which was considered and endorsed by the ARAC for inclusion in the 2017/18 Annual Report.

3.2 In addition to the Governance Statement, the Annual Report 2017/18 also included the Annual Report of the ARAC. On the recommendation of the ARAC, the Annual Report 2017/18 was approved by the Management Committee at its meeting on 29 August 2018 and laid before the Assembly on 11 September 2018.

4 External Audit

4.1 As a non-departmental public body, NILGOSC is required to use the Local Government Auditor for the provision of its external audit service. The Local Government Auditor within the Northern Ireland Audit Office (NIAO) has appointed KPMG to provide the external audit function on its behalf but retains responsibility for signing the audit report and providing an annual opinion.

4.2 The NIAO presented its Report to Those Charged with Governance for 2017/18 (RTTCWG) to the ARAC on 13 August 2018.

4.3 The External Auditor advised the ARAC that there were no significant issues identified as a result of the audit. One misstatement was identified during the audit which was not adjusted for in the financial statements based on its immaterial impact on the overall fund valuation. Subject to minor amendments in the narrative and final review, the opinion of the External Auditor was that the financial statements had been properly prepared and provided a true and fair statement of NILGOSC's affairs as at 31 March 2018.

4.4 The Local Government Auditor issued a clean audit opinion for the year ended 31 March 2018. There were no significant issues reported in the 2017/18 RTTCWG.

4.5 The Local Government Auditor presented its Audit Strategy 2018/19 to the ARAC at its meeting on 6 February 2019, which was subsequently approved.

5 Internal Audit

5.1 The Internal Auditor presented the final audit plan for 2018/19 to the ARAC on 4 June 2018.

5.2 The internal audit reviews conducted during 2018/19 and the assurance opinion provided in respect of each is set out in the table below:

Review	Assurance Opinion
Investment Monitoring and Reporting	Satisfactory
Communications	Satisfactory
IT Systems and Security	Satisfactory
Pensioners' Payroll	Satisfactory
Other Financial Systems	Satisfactory
Procurement and Contract Management	Satisfactory
Maintenance of Scheme Records	Satisfactory

5.3 'Satisfactory' is the highest level of assurance that can be provided and the ARAC was pleased to note that this had been achieved in all areas and that no significant issues were identified as a result of any of the internal audit reviews undertaken during 2018/19.

5.4 The ARAC receives bi-annual reports on the progress against implementation of internal audit recommendations. These reports were provided in August 2018 and February 2019 and the ARAC noted that good progress had been made during 2018/19.

5.5 In his Annual Assurance Report, the Head of Internal Auditor (HIA) stated that, during the twelve month period ended 31 March 2019, NILGOSC's systems in relation to risk management, control and governance were adequate and operated effectively, thereby providing satisfactory assurance in relation to the effective and efficient achievement of NILGOSC's objectives.

5.6 The HIA did not consider there to be any significant control issues relevant to the preparation of the Governance Statement for the year ended 31 March 2019.

6 Risk, Control and Governance

6.1 During the annual review of the risk register in April 2018, the risk register was extensively reviewed. No new risks were identified as a result of the review however some amendments were made to the register including risk scores and control measures. The ARAC reviewed the risk register 2018/19 and approved the content.

6.2 A quarterly report is also presented to the ARAC summarising the operation of the risk management process. This report includes any significant control issues identified during the quarter together with any proposed changes to the risk register. It also incorporates the review of risks, in line with significant changes in the external environment. The quarterly reports provide the ARAC with assurance that the risk management process is operating effectively and that any internal control weaknesses or irregularities are promptly and adequately addressed. The reports including any approved changes are presented to the Management Committee following review by the ARAC.

6.3 The quarterly risk reviews and subsequent reports provided during 2018/19 resulted in an increase in the overall risk score of two risks on the risk register. The changes to the risk register were approved by the ARAC.

6.4 The Department for Communities (the Department) requires NILGOSC to regularly complete Departmental Assurance Statements to provide assurance that sound systems of internal control and governance are in place, that key risks are being managed and to highlight any significant issues. These six-monthly Statements were reviewed by the ARAC at its meetings on 4 June 2018 and 19 November 2018 before consideration by the Management Committee and sign off by the Chairperson.

7 Fraud and Whistleblowing

7.1 During 2018/19, there was one case of suspected fraud in relation to pension payroll identified and reported during the year ended 31 March 2019. This suspected fraud was thoroughly investigated and has been recommended for write off subject to necessary approvals. There were no instances of whistleblowing reported during 2018/19.

7.2 In June 2017, the Whistleblowing Policy was revised in line with best practice and correspondence on Whistleblowing investigations received by the Department. The ARAC approved the Policy, which was then approved by the Management Committee.

7.3 Any cases of whistleblowing or fraud are reported to the ARAC through a quarterly Fraud and Whistleblowing Report, presented at each meeting. NILGOSC participated in the National Fraud Initiative (NFI) 2018-19 data matching exercise. Updates on progress against the investigation of matches identified through this exercise and those identified by the General Register Office for Northern Ireland are also reported on in this report.

7.4 Following a review of the Anti-Bribery Policy in February 2018, a review of how the risk of bribery and corruption is considered in investment and property transactions was undertaken during 2018/19 and reported to the ARAC in February 2019.

8 Other

8.1 The Terms of Reference for the ARAC are reviewed annually. The scope and content of the Terms of Reference were reviewed to ensure compliance with best practice as set out in the Department of Finance's Audit and Risk Assurance Committee Handbook (NI). A minor amendment to the Terms of Reference to include reference to the management of risk as a responsibility of the ARAC was considered by the ARAC at its meeting on 19 November 2018, and subsequently recommended to the Management Committee for approval. The approved Terms of Reference are available to view on NILGOSC's website.

8.2 A Departmental representative was in attendance at all four ARAC meetings held in 2018/19.

9 Effectiveness of the Audit & Risk Assurance Committee

9.1 The ARAC met four times during 2018/19 in accordance with the planned work programme.

9.2 The following table sets out the attendance record for 2018/19:

Member	Meetings Called	Meetings Attended	Attendance %
Bumper Graham*	3	2	66%
Linda Neilan	4	4	100%
Joan McCaffrey	4	4	100%
Tom Irvine	4	3	75%
Lindsay Todd	4	4	100%

* Term of Appointment ended 31 December 2018

9.3 Under its Terms of Reference, the ARAC is required to periodically review its own effectiveness and report the results of that review to the Committee. In accordance with best practice, the ARAC adopted and tailored the National Audit Office (NAO) 'Self-Assessment Checklist' published in January 2012 to assist in undertaking this review.

9.4 The ARAC met on 2 April 2019 to discuss the questions on the checklist and review its effectiveness for the reporting period 1 April 2018 to 31 March 2019. The outcome of the assessment demonstrated that the ARAC operated effectively during the reporting period and is compliant with the five good practice principles set out in the checklist.

9.5 Following the 2018/19 review of effectiveness, no significant issues were identified. Some follow-up actions were agreed from the review of effectiveness in 2017/18 concerning the recruitment and appointment of new Committee Members in the absence of a Minister. These actions have been carried forward pending appointment of a new Chairperson and will be implemented during the coming year.

10 Opinion

10.1 Based on the assurances and information provided during the year ended 31 March 2019, the ARAC is satisfied that the Management Committee can rely on the risk management, internal control and corporate governance arrangements currently in operation.

EMPLOYING AUTHORITIES CONTRIBUTING TO THE SCHEME AT 31 MARCH 2019

Councils

Antrim and Newtownabbey Borough Council
Ards and North Down Borough Council
Armagh, Banbridge and Craigavon District Council
Belfast City Council
Causeway Coast and Glens District Council
Derry City and Strabane District Council
Fermanagh and Omagh District Council
Lisburn and Castlereagh City Council
Mid and East Antrim District Council
Mid Ulster District Council
Newry, Mourne and Down District Council

Education and Library Authorities

Education Authority
Libraries NI

Restricted Membership

Amey Community Limited
Apex Housing
Apleona HSG Limited
Capita Managed IT Solutions Limited
Choice Housing Ireland Limited
City of Derry Airport
Graham Asset Management
Mourne Heritage Trust
Northern Community Leisure Trust
Northern Community Leisure Trust 2
Radius Housing Association
South Ulster Housing Association Limited

Associated Bodies

Arc21 Joint Committee
Ark Housing Association Northern Ireland Limited
Armagh Observatory and Planetarium
Arts Council of Northern Ireland
Belfast Charitable Society
Belfast Visitor & Convention Bureau
Belfast Waterfront and Ulster Hall Limited
Citybus Limited
Coleraine Harbour Commissioners
Comhairle Na Gaelscolaíochta
Community Relations Council
Connswater Homes Limited
Construction Industry Training Board
Controlled Schools Support Council
Council for Catholic Maintained Schools
Council for the Curriculum, Examinations and Assessment
Covenanter Residential Association Limited
Derry Visitor and Convention Bureau
General Teaching Council for Northern Ireland
Greenwich Leisure Limited
Grove Housing Association Limited

Habinteg Housing Association (Ulster) Limited
Linen Hall Library
Livestock & Meat Commission for Northern Ireland
Local Government Staff Commission
Middletown Centre for Autism
Millennium Forum
Newington Housing Association (1975) Limited
North Belfast Housing Association
Northern Ireland Co-Ownership Housing Association Limited
Northern Ireland Council for Integrated Education
Northern Ireland Federation of Housing Associations
Northern Ireland Fire & Rescue Service
Northern Ireland Fishery Harbour Authority
Northern Ireland Hospice
Northern Ireland Housing Executive
Northern Ireland Local Government Association
Northern Ireland Local Government Officers' Superannuation Committee
Northern Ireland Railway Company Limited
Northern Ireland Screen
Northern Ireland Tourist Board
Northern Ireland Transport Holding Company
Outdoor Recreation (NI)
Probation Board for Northern Ireland
Rural Housing Association
Sports Council for Northern Ireland
St Matthew's Housing Association Limited
Ulsterbus Limited
Woodvale and Shankhill Housing Association

Schools and Colleges

Abbey Christian Brothers Grammar School
Acorn Integrated Primary School
Aquinas Diocesan Grammar School
Assumption Grammar School
Ballymena Academy
Bangor Grammar School
Belfast High School
Belfast Royal Academy
Blackwater Integrated College
Braidside Integrated Primary & Nursery School
Bridge Integrated Primary School
Campbell College
Cedar Integrated Primary School
Christian Brothers Grammar School
Coleraine Grammar School
Corran Integrated Primary School
Cranmore Integrated Primary School
Dalriada School
Dominican College – Belfast
Dominican College – Portstewart
Drumlins Integrated Primary School
Drumragh Integrated College
Enniskillen Integrated Primary School
Enniskillen Royal Grammar School
Erne Integrated College
Foyle and Londonderry College
Friends School
Hazelwood College

Hazelwood Integrated Primary School
Hunterhouse College
Integrated College Dungannon
Jordanstown Schools
Lagan College
Larne Grammar School
Loreto College
Loreto Grammar School
Loughview Integrated Primary School
Lumen Christi College
Maine Integrated Primary School
Malone College
Methodist College
Mill Strand Integrated Primary School
Millennium Integrated Primary School
Mount Lourdes Grammar School
New-Bridge Integrated College
North Coast Integrated College
Oakgrove Integrated College
Oakgrove Integrated Primary School
Oakwood Integrated Primary School
Omagh Integrated Primary School
Our Lady & St Patrick's College
Our Lady's Grammar School
Phoenix Integrated Primary School
Portadown Integrated Primary School
Rainey Endowed School
Rathmore Grammar School
Roe Valley Integrated Primary School
Rowandale Integrated Primary School
Royal Belfast Academical Institution
Royal School, Armagh
Royal School, Dungannon
Sacred Heart Grammar School
Saints and Scholars Integrated Primary School
Shimna Integrated College
Slemish Integrated College
Sperrin Integrated College
Spires Integrated Primary School
St Colman's College
St Columb's College
St Dominic's High School
St Joseph's Grammar School
St Louis Grammar School
St Malachy's College
St Mary's Christian Brothers
St Mary's Grammar School
St Michael's College
St Patrick's Academy
St Patrick's Grammar School
St Patrick's Grammar School, Armagh
St Ronan's College
Strangford College
Strathearn School
Sullivan Upper School
Thornhill College
Ulidia Integrated College
Victoria College
Wallace High School
Windmill Integrated Primary School

Further and Higher Education Colleges and Universities

Belfast Metropolitan College
North West Regional College
Northern Regional College
South Eastern Regional College
South West College
Southern Regional College
St Mary's University College
Stranmillis University College
University of Ulster

GLOSSARY

The following is a glossary of pension terms used throughout this annual report and accounts:

Term	Definition
Accrual rate	This is the rate at which pension benefits build up for the member e.g. 1/49th times pensionable pay for each year of membership.
Active Member	Current member of the pension scheme who is building up retirement benefits from their present job.
Active Management	A style of investment management whereby the manager seeks to add value to the fund by actively buying and selling shares.
Actuary	Expert on pension scheme assets, liabilities, life expectancy and probabilities. An actuary works out whether enough money is being paid into a pension scheme to pay the pensions when they are due.
Actuarial Valuation	An assessment performed by an actuary, usually every three years, to determine how much money needs to be put into a pension scheme to ensure that there are enough funds available to meet future pension payments.
Additional Voluntary Contributions (AVCs)	Contributions made by an individual over and above the normal contribution level to increase the level of benefits available on retirement. These contributions are paid to an insurance company.
Asset Allocation	The decision as to which mix of assets to buy – shares, bonds, property or cash.
Automatic Enrolment	The process whereby employers must automatically enrol workers that meet specified eligibility conditions into a qualifying pension scheme. Workers have the option to opt out.
Balanced Management	A traditional approach to investment whereby a manager buys a combination of shares and bonds to provide both income and capital appreciation while avoiding excessive risk.
Benchmark	A standard against which investment performance is measured. A common benchmark is the FTSE All-Share Index which includes a large percentage of all quoted shares.
Benefit Statement	A statement showing an individual the pension benefits they have earned so far together with a forecast of what their final pension might be.
Career Average Revalued Earnings (CARE)	A defined benefit scheme in which pension benefits are based on a career average pay and length of membership in the Scheme and re-valued to retirement.
Cohabiting Partner	Couples who live together but do not marry or enter a civil partnership.
Consumer Price Index (CPI)	CPI forms the basis for the Government's inflation target. It is an index published by the Government each month reporting the change in the price of a 'basket of goods, commodities and services' and a measure of inflation within the UK. It excludes housing costs and mortgage interest payments. CPI can be used for revaluing pensions in deferment and increases to retirement income.
Contributions	The money paid by an individual or his/her employer into a pension fund.
Corporate Bonds	Loan stock issued by companies which offer a fixed rate of interest paid over the duration of the loan, together with repayment on maturity at a predetermined rate.
Coupon	The nominal interest a bond will pay at each payment date.
Death Benefit	This may be paid to a member's dependants if the member dies. It may be a pension or a one–off payment.

Deferred Benefits	Benefits which are calculated at the time an individual leaves the scheme and are payable later.
Deferred Member	An individual who has left the scheme but will get pension benefits when they reach their normal retirement age.
Defined Benefit Scheme	A pension scheme which states in advance the level of benefits that will be paid on retirement, usually based on the service and earnings.
Dependant	Someone who is dependent on a member of the pension scheme (or on a pensioner of the scheme) and derives benefits through him/her.
Eligible Child	A child is an eligible child of a deceased member if, at the date of your death they are: • The natural child of the deceased • The adopted child of the deceased • A step-child of a child accepted as a member of the deceased's family and dependent on the deceased at the date of death. Eligible children must meet one of the following conditions: • Be under age 18, or • Be aged between 18 and 22 (inclusive) and be in full-time education or vocational training, or • Be unable to engage in gainful employment because of physical or mental impairment and either has not reached age 23 or the impairment is in the opinion of NILGOSC's Independent Registered Medical Practitioner, likely to be permanent and the person was dependent on the deceased at the date of death because of that impairment.
Expression of wish	An expression of wish enables a member to tell NILGOSC who they would like to receive any death grant due if they die. NILGOSC does not have to follow the member's wish but will take it into account.
Final Pensionable Pay	The pensionable earnings on which the final salary benefits are calculated. This may be based on how much an individual is earning when they retire or the best pensionable earnings in the last three years.
Final Salary Scheme	A defined benefit scheme where the pension benefits paid on retirement are based on how much an individual is earning when they retire.
Fund Manager	A professional manager of investments often employed by a pension scheme to manage assets on their behalf.
Gilts	Bonds issued by the Government.
Guaranteed Minimum Pension (GMP)	This is the minimum pension that an occupational pension scheme had to provide as a condition of contracting out for pre-6 April 1997 service. The Government is currently considering using conversion of GMPs into normal scheme benefits of equal actuarial value in order to assist with GMP equalisation. GMP equalisation means equalising scheme benefits to take account of the differences in the way that GMPs are calculated for men and women.
Ill-health retirement	If a member meets the qualifying criteria for ill-heath retirement, their benefits will be brought into payment early. Active members receive enhanced pension benefits, depending on the severity of their medical condition.
Index	In the stock market, an index is a device that measures changes in the prices of a basket of shares, and represents the changes using a single figure. The purpose is to give investors an easy way to see the general direction of Shares in the index.
Index Linked Gilts	A type of bond where the interest payment is guaranteed to rise in line with the Retail Prices Index.
Index Tracking Fund	Investments are made to match closely the performance of a market index such as the FTSE All-Share Index. It does not aim to outperform the market like active management does.

Inflation	The general rate of increase in prices and wages over a period.
Occupational Pension Scheme	A pension scheme established by an employer to provide pension benefits to its employees on their retirement.
Opting Out	This is when an employee leaves a pension scheme or chooses not to join one. Under automatic enrolment you must be signed up to the Scheme before you can opt out. If you opt out within two years of joining you are entitled to a refund of contributions; an opt-out after two years of joining entitles you to deferred pension benefits payable from your normal retirement age.
Passive Management	A style of investment management where no active management is required, instead investments are made in line with an index.
Pension	A regular income paid to an individual on their retirement.
Pensions Increase	In April each year NILGOSC increases pensions to reflect rises in the cost of living.
Pensionable pay	These are the earnings used to work out a member's benefits and contributions. They might not include overtime.
Pensionable Service	The period of employment that is considered when calculating final salary pension benefits.
Retail Prices Index (RPI)	An index published by the Government each month reporting the change in the price of a 'basket of goods, commodities and services' and is the accepted measure of inflation within the UK. This is a slightly different 'basket of goods, commodities and services' from those used to calculate CPI as it includes housing costs such as mortgage interest payments. RPI can be used for revaluing pensions in deferment and increases to retirement income.
Revaluation	In April each year NILGOSC will apply CARE revaluation in accordance with the Public Service Pensions Revaluation (Prices) Order (Northern Ireland).
Rule of 85	The Rule of 85 refers to a provision of the Scheme which allowed members who retired early to take their pension entitlements without penalty if the sum of their age and length of membership equalled 85 years or more. This rule was abolished on 1st October 2006 however members who joined before this have some protections: • All existing members at 30 September 2006 are protected until 31 March 2008 i.e. the benefits they built up to 31 March 2008 will be protected under the 85 year rule. • Those existing members at 30 September 2006 who will be 60 or over and meet the 85 year rule by 31 March 2016 are fully protected i.e. the benefits they built up to 31 March 2016 will be protected under the 85 year rule. • Those existing members at 30 September 2006 who will be 60 or over and meet the 85 year rule between 1 April 2016 and 31 March 2020 will have full 85 year rule protection to 31 March 2008 and have some 85 year rule protection, on a sliding scale, to 31 March 2020.
Securities	A general name for shares, stocks and bonds issued to investors.
Shares	Sold by companies looking to raise money. Shares give the holders an interest in the company and a right to share in the profits.

State Pension Age	This is the age people normally start getting the basic state pension. From November 2018 this was equalised at age 65 for men and women. State pension age is then to increase to age 66 by October 2020, age 67 between 2026 and 2028 and to age 68 between 2044 and 2046. The Pensions Act 2014 provides for a regular review of the State Pension Age, at least once every five years. The first review was published in July 2017 and proposes a new timetable for the rise to 68. It proposes that the State Pension Age will increase to 68 between 2037 and 2039. Any proposals will need to go through Parliament before becoming law.
Stock Selection	The process of selecting which individual shares and bonds to buy and sell.
Superannuation	A term used to describe contributions made to a pension scheme, particularly in the public sector.
Transfer Value	The value of an individual's pension rights which may be transferred, subject to conditions, to another pension scheme to provide alternative benefits if they have left the Local Government Pension Scheme.

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