NILGOSC

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE

ANNUAL REPORT AND ACCOUNTS 2019/2020

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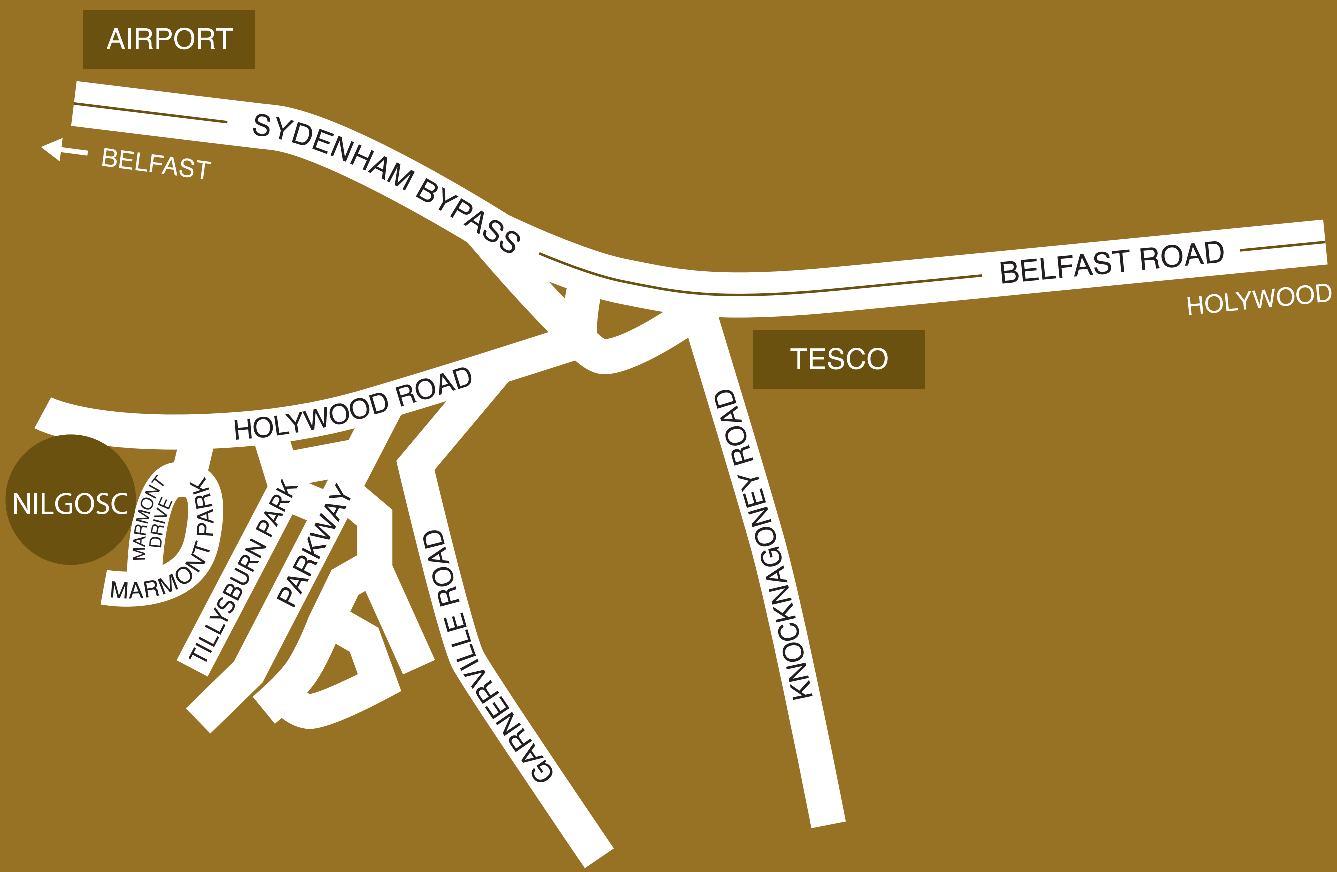

If you have any views and comments on this report, or any questions on any of the services provided, please contact us in writing; by telephone; fax; email; or by visiting our office in person as follows:

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This annual report can be made available in a wide range of alternative formats. Requests for alternative formats should be made to the Finance Manager at the above address. In addition to the Annual Report, NILGOSC can provide documents and correspondence in alternative formats, including audio and large print versions for people with sight problems. Documents can also be provided in minority languages for those whose first language is not English. If you would prefer an alternative method of communication please let us know.

ANNUAL REPORT AND ACCOUNTS 2019/2020

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS'
SUPERANNUATION COMMITTEE

NILGOSC Annual Report and Accounts
For the Year Ended 31 March 2020

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

8 September 2020

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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 2020 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 financial statements 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. The auditor did not perform any non-audit work this year.

Disclosure of Relevant Audit Information

The 2019/20 Annual Report and financial statements have been prepared amidst the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020. At the balance sheet date, 31 March 2020, this had a pronounced impact on global financial markets and asset returns and continues to affect market activity across many sectors.

Where material uncertainty exists for NILGOSC asset valuations at 31 March 2020, specific disclosures have been included to provide clarity and transparency to readers of the Annual Report and financial statements.

There is no other 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 auditor are aware of all relevant audit information.

Important Events Occurring After the Year End

COVID-19
As a result of market volatility and uncertainty due to COVID-19, management has considered key areas of the Pension Scheme's operations and financial statements subsequent to year end which are impacted by the pandemic.

Operational Impacts
NILGOSC has been assigned an "essential service" status and as such put in place a number of measures to enable it to continue functioning operationally. With the exception of on-site restrictions to members and reduced contact hours, NILGOSC, as scheme administrator, has continued providing a 'business as usual' service.

Financial Impacts
In advance of the UK wide 'lockdown' steps were taken to ensure access to sufficient liquidity to meet benefit obligations as they fall due. Post year end employer and employee contributions continue to be received as normal and benefit obligations continue to be met without interruption post year end.

For financial instruments measured at fair value, management has assessed the year end valuations to be appropriate for those assets traded in an active market. For both property investments and level 3 investments, i.e. those assets whose fair value cannot be determined using observable market inputs, management has undertaken an additional review of COVID-19 exposure on these assets post year end and is satisfied that the valuations at 31 March 2020 are appropriate for financial statement purposes.

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 2020 NILGOSC paid 1,240 invoices totalling £18.632m on 10 day terms, of which 39 undisputed invoices were late. 98.7% 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 9 working days (2018/19: 8 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 2020. It concludes with highlights of NILGOSC's performance from both a Scheme Administration and Investment perspective.

(II) STATEMENT FROM THE CHIEF EXECUTIVE

David Murphy
Chief Executive and Secretary

From a global perspective, 2019/20 was setting up to be an eventful year already before the impact of the new coronavirus hit almost every country and economy in the world. The societal and economic effects of the virus and subsequent global government restrictions are unprecedented and from NILGOSC's perspective the impact on its investment portfolio and administration operations has been significant. As NILGOSC is one of the administrative occupations essential to the delivery of essential public services, including the payment of benefits, it has key worker status and has continued to serve its members and pensioners throughout this very difficult time.

This statement is my perspective on the performance and achievements of the organisation during the year ended 31 March 2020.

Investment Performance

The nine months up to December 2019 saw financial markets continue to perform well, political tensions escalate and abate and climate change rise to the top of the international agenda. Indeed, 2019 saw global stock markets generate some of the best returns in a decade, helped by aggressive central bank stimulus and easing trade tensions as the U.S. and China agreed to a limited trade truce. This trend ended abruptly in the first quarter of 2020 when global financial markets suffered the worst falls since Black Monday, the stock market crash of 1987, as the coronavirus spread across the globe. Economic activity was effectively halted as governments raced to slow the spread of the virus and equity markets in particular saw sharp falls. The three months to 31 March 2020 saw dramatic movements across all asset classes. This resulted in global equities returning -9.5% for the year ended 31 March 2020, with UK Index Linked Gilts and Property yielding returns of 2.2% and 0.1% respectively.

Despite the extreme market movements in the final quarter, the NILGOSC Fund held its own but ended the year marginally lower than when it started at £7.878bn. Investment for a pension fund requires a long term approach and the strategy decisions taken by NILGOSC in 2017 to de-risk its portfolio by reducing the proportion held in equities has served it well during recent volatility. NILGOSC has set its performance objective over a 3 and 5 year horizon to support its longer term strategy. At 31 March 2020, NILGOSC had underperformed against its investment target of Consumer Price Index (CPI)+3.5% on a 3 and 5 year basis by -2.58% and -0.14% respectively.

From an investment perspective, the key deliverable during 2019/20 was the implementation of the third and final phase of the transition to the new strategic asset allocation set in December 2017. This was not an insignificant project which has spanned more than two years as NILGOSC reduced its equity exposure by half and transitioned over £3bn to fixed income, property and infrastructure. The final phase involved the funding of a new global property mandate and a new emerging market equity mandate, which will equate to 3% and 2.5% of the total Fund respectively. Following a competitive procurement and comprehensive due diligence exercise, CBRE were appointed as NILGOSC's global property manager in February 2020 and have been tasked with building a diversified global property portfolio over the coming year. The process to identify a suitable emerging market equity manager will conclude by the end of 2020.

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 40.

NILGOSC has appointed a number of specialised managers to make investment decisions on its behalf and throughout 2019/20 it continued to hold those managers to account over the management of their respective portfolios. A balanced scorecard approach is used to assess managers 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, the commitments to which continued to be drawn down and invested during the last twelve months. This allocation to 'real' assets is a key part of the diversification of risk and return and the transition away from more volatile equity markets.

Collaboration is one of NILGOSC's six strategic themes and during 2019/20 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 entered another 3 co-investments during the past year, bringing the total to 9 as at 31 March 2020.

Over the past twelve months, the changing climate has dominated the political agenda with governments across the world declaring states of emergency. As a long term investor, NILGOSC recognises that the changing climate presents significant long-term risks to the value and security of pension scheme investments and capital markets more broadly. However this is not a recent revelation for NILGOSC, as it has been taking action to mitigate the investment risk brought about by climate change since 2008. Over the past decade, NILGOSC has used its voting rights to encourage the disclosure of carbon emissions as well as the inclusion of climate risk mitigation within the business strategy of investee companies. In order to increase its effectiveness, NILGOSC continues to collaborate with other responsible investors to engage with governments and individual global companies in the desire to accelerate the transition to a low-carbon economy and achieve the objectives of the Paris Agreement, which aims to limit global warming to well below 2°C and pursue efforts to limit it to 1.5°C. NILGOSC believes that engagement with governments and policy makers is the key to establishing long-term policies which will ultimately shape a low carbon future. NILGOSC accepts that there are differing views as to how to expedite the carbon transition but continues to believe that the best way to bring about change in corporate behaviour is to remain as an active and influential investor. The value of having a seat at the table at a company or industry that has the power to address climate change should not be underestimated if the goals of the Paris Agreement are to be met. In 2019/20 NILGOSC published a document *Responding to Climate Change* which summarises how climate change could affect the pension fund, how NILGOSC mitigates these risks and how NILGOSC is contributing to the low-carbon transition. The document is available at https://www.nilgosc.org.uk/climate-risk.

NILGOSC's responsible investment activities are not limited to climate change and 2019/20 saw NILGOSC participate in a number of collaborative initiatives on environmental, social and governance issues. 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.

Scheme Administration

Scheme membership grew by 7% during the year, bringing the total number of members to 139,048 at 31 March 2020. Of this total, 49% are actively contributing to the pension scheme. 23% have previously contributed but have not yet reached retirement and the remaining 28% are currently in receipt of a NILGOSC pension every month. Each of these member groupings has their own needs and priorities and the NILGOSC team worked hard during 2019/20 to provide the high quality, personalised service that our stakeholders have come to expect. It is particularly pleasing to note the continued strong performance against service standards during 2019/20 as reported on page 22.

NILGOSC's new self-service facility introduced towards the end of the previous financial year has proved popular with members, with 18% of members registered to use the service as at 31 March 2020. My NILGOSC Pension *Online* allows members to access their pension records at a time convenient to them, as well as providing the facility to update basic information directly and see an estimate of what their pension will be on retirement. In June 2019 My NILGOSC Pension *Online* became the default delivery method for information sent to members upon joining the pension scheme. As well as providing quick and easy access to key information, it has also allowed NILGOSC to significantly reduce the environmental impact of posting large volumes of paperwork and scheme guides to every new member. Of course, personal preference is key when it comes to communication methods and all members can continue to receive information in their preferred format.

I am delighted with the positive feedback that our new self-service has received so far, including the results of the annual satisfaction survey undertaken in February 2020 which shows an overall satisfaction level of 97.5%.

Over the last five years NILGOSC has processed 9,195 additional retirement quotations and approximately 2,557 retirement benefits as a result of voluntary redundancy schemes operated by scheme employers. This contraction in the public sector in Northern Ireland appeared to have abated, with a number of voluntary and early exit schemes coming to an end during 2019/20. Accordingly, NILGOSC wound up its public sector redundancy project on 31 March 2020, with any subsequent early exits being dealt with by the administration teams as part of business as usual. At the time of writing it is unclear if the country will face another period of austerity that will require further cuts to public finances.

2019 was a valuation year for NILGOSC, culminating with the publication of the formal Actuarial Valuation report on 30 March 2020. This is a significant administration exercise for the NILGOSC team who are required to collate, cleanse and provide large volumes of data within relatively tight timeframes. The Scheme Actuary has completed their work and determined that NILGOSC is 112% funded as at 31 March 2019, an improvement on the previous funding level of 96% as at 31 March 2016. As part of the valuation, the Actuary also determines the contribution rates payable by employers for the three years ahead. The market volatility experienced as a result of the coronavirus pandemic is likely to impact adversely on the value of investments held as well as dampen future investment returns, both of which would suggest a lower funding level than that calculated at the valuation date of 31 March 2019. If future market conditions warrant it, NILGOSC may have to revisit the employer contribution rates certified for 2021/22 and 2022/23. Further details on funding position and contribution rates payable can be found in the Performance Report.

Looking Forward

The coronavirus outbreak and subsequent social distancing restrictions imposed by the UK Government has resulted in some temporary changes to how NILGOSC operates from an administration and service delivery perspective. The open door policy for members and visitors to call into the office has temporarily been suspended and member services have been prioritised in accordance with guidance issued by The Pension Regulator to reflect a reduction in staff operating onsite. Despite a reduced headcount, I am delighted that NILGOSC has maintained its core service delivery throughout these challenging times with over 38,000 pensioners continuing to receive their monthly pension and retirement benefits as normal.

While the improvement in NILGOSC's funding position as at 31 March 2019 is a welcome development, any relief for Scheme employers will be short lived as further changes to the cost and benefit structure of the Local Government Pension Scheme are imminent. By way of background, in 2015 the UK Government introduced reforms to public sector pensions which meant that the majority of public sector workers were moved to new pension schemes at this time. This resulted in a legal challenge by certain groups of public sector workers who argued that the reforms, and specifically transitional protection arrangements for members closer to retirement, were discriminatory on the grounds of age. This view was upheld by the Court of Appeal and, while the judgement commonly known as the McCloud judgement related to the firefighters and judicial schemes, the implications are significant for all public sector schemes, including the Local Government Pension Scheme, which will be required to remedy the position. At the same time, a new mechanism for assessing the value of pensions (the cost control mechanism) was also introduced for the Local Government Pension Scheme (LGPS). Provisional results indicated that the cost control mechanism would be triggered for the LGPS NI, leading to changes to member benefits due from 1 April 2019. These changes have been on hold pending a resolution of the legal challenge referred to above.

The implementation of the cost control mechanism, which remains temporarily paused, together with the remedial action required to address the discriminatory transitional provisions highlighted by the McCloud judgement dominates NILGOSC's agenda from an investment, funding and administration perspective. The impact of anticipated scheme changes will be significant, with the prospect of retrospective regulations increasing the challenge further. The financial implications are twofold: on the funding side the changes will result in a potential increase in employer contributions of up to 3.2%; while on the administration side all software, systems and scheme literature will need to be amended and the changes communicated to all stakeholders.

Any change to the benefit structure and scheme regulations brings with it a considerable administration burden as NILGOSC will be required 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. This will require software amendments to the core pension administration system as well as changes to supporting systems and procedures. Staff training will be required to ensure all staff are familiar with the scheme changes and additional stakeholder communications will be necessary to ensure members and employers understand the changes to the benefit structure. NILGOSC's comprehensive suite of scheme literature will require revision and re-publication to reflect any changes, including the redesign of statutory communications such as pension benefit statements. Retrospective scheme changes are particularly challenging as this is likely to require the recalculation of benefits paid or accrued since the effective date.

From an investment perspective, 2020 will see the final stages of the current investment strategy implemented and the focus shift to the next triennial strategy review planned for late 2020/early 2021. From a responsible investment perspective, NILGOSC will continue to explore opportunities to use its influence to improve corporate behaviours, with a strong focus on ensuring NILGOSC is managing any risks caused by the changing climate.

Finally, from a system development perspective, NILGOSC is planning a number of enhancements which are designed to improve efficiency and offer improved service delivery to both members and employers. This includes an integrated electronic data submission and exchange facility for scheme employers, which 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

I'm pleased to say it has been another successful year for the NILGOSC team, with 90% of the business plan for the year either achieved or significantly achieved.

I would like to express my thanks to current Committee members for their support throughout the year and specifically to those members who have agreed to an extension to their term of office which would otherwise have expired during 2019/20. I would also like to welcome the five new members who took up appointment on 1 April 2020 and I hope that they find the role to be both interesting and rewarding.

Last but definitely not least, I would also like to express my thanks to the staff of NILGOSC who have worked tirelessly to maintain the high level of service provided to our members and other stakeholders throughout the year. Their commitment and dedication throughout the current pandemic and challenging operating environment has been remarkable.

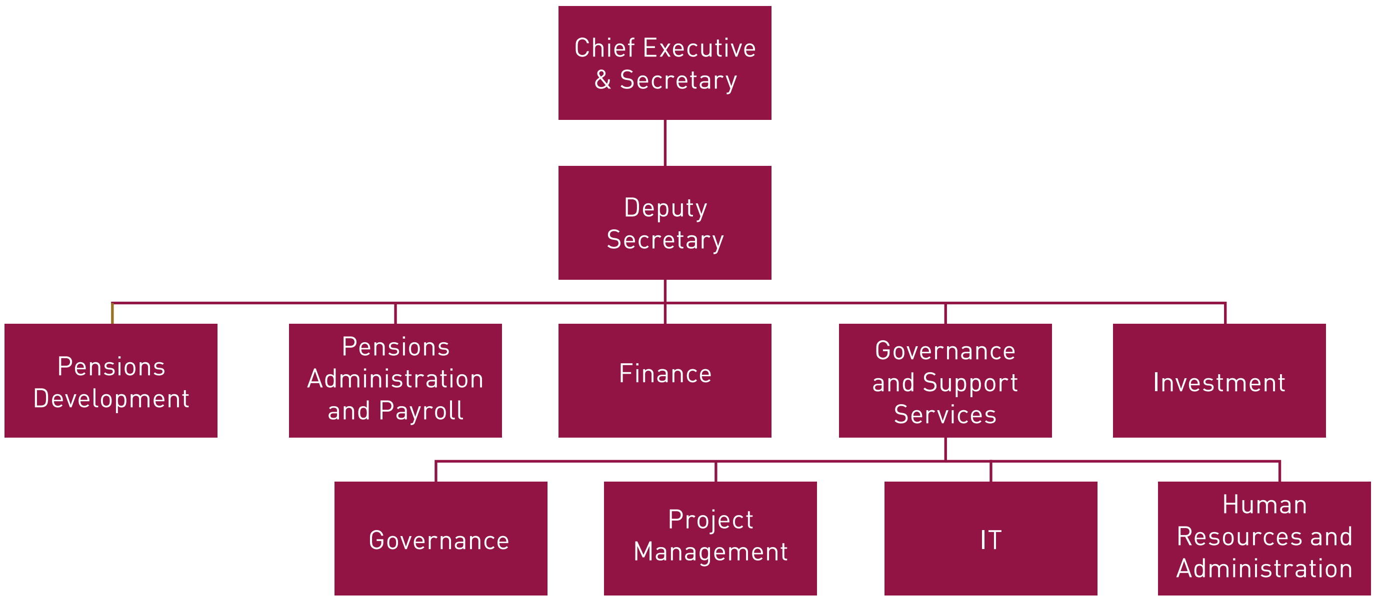
(III) STATEMENT OF PURPOSE AND ACTIVITIES OF THE ORGANISATION

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, approximately 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 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 promote equality of opportunity, good relations and to fulfil 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 15 to 55.

(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 classification system for risk appetite which has the 5 levels – Hungry, Open, Cautious, Minimalist or Adverse.

Further information on NILGOSC's risk assurance framework is contained within the Governance Statement on pages 61 to 68.

NILGOSC provides a frontline service to its members and pensioners and prides itself on providing a high quality service to all its stakeholders. It achieved or substantially achieved 90% of operational actions set out in its business plan and notably 14 out of 15 of its service standards.

The external operating environment often produces the biggest threat to service delivery as policy, legislative and taxation changes, often with little or no lead time, can impact materially on the administration of the pension scheme. In 2020, NILGOSC awaits the out workings of the 2019 UK Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' pension Scheme (Sargeant) constituted illegal age discrimination. The government confirmed that the judgment would be treated as applying to all public service schemes including the LGPS (NI) (where the transitional arrangements were in the form of a final salary underpin). The initial results from the 2016 cost management process indicated that benefit improvements/member contribution reductions equivalent to 3.2% pay would be required from 1 April 2019. However the cost management implementation (cost cap) was paused following the Court of Appeal ruling. The remedy in terms of retrospective benefit changes for LGPS (NI) is expected to go out to consultation in autumn 2020. The impact on the administration of the scheme is expected to be considerable, as large volumes of benefit calculations will require revisiting.

NILGOSC will need major updates to 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. 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.

The anticipated actions outlined above will mean a sizeable increase in the administration budget in the implementation phase and the challenge will be compounded by the typically short lead time introduction of these changes. There continues to be uncertainty around the content, 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.

The restoration of the Executive and Assembly in January 2020 is welcomed by NILGOSC as the wider political environment can have a material impact on NILGOSC's ability to deliver against objectives and service standards. Two amending pieces of legislation were made in October 2019 and December 2019 to address inequalities in the payment of survivor benefits and in the entitlement to enter civil partnerships in Northern Ireland. The fact that the institutions have been restored should hopefully provide a smoother route for any legislative amendments required as a result of McCloud/Sargeant and subsequently cost cap.

The demand for the administration of benefits arising from public sector early exit schemes reduced notably in 2019/20. However future actions by the government in the wake of unprecedented economic support provided in response to the COVID-19 pandemic may place further constraints on public spending and lead to further restructuring and reform across the public sector and consequently an uplift in benefits administration whether due to redundancy or future early exit schemes.

The pandemic has also resulted in changes to how NILGOSC delivers its services to members during the period of lockdown and social distancing restrictions. The facility for members to visit onsite has been temporarily suspended and NILGOSC continues to promote its online self service facility, My NILGOSC Pension *Online*, as a key part of its on-going communication and self service delivery strategy. The portal allows members to directly access and update the information NILGOSC holds on them, providing dual benefit to both NILGOSC and the member. While the primary beneficiary is the member, through timeliness and enhanced service delivery options, there are data quality benefits if members update their own personal data and potential financial savings to be made in the longer term through reduced postage and printing costs. As the payment of benefits is deemed an essential public service, NILGOSC has key worker status and has continued to serve its members and pensioners throughout the lockdown period, albeit on a reduced capacity.

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 quality 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.

Over recent years public sector financial constraint has created uncertainty for many scheme employers over future funding streams and the ongoing ability to meet pension liabilities as they fall due. There were no employers entering insolvency in 2019/20 and the annual covenant strength assessment highlighted no concerns with respect to possible future defaults however this assessment was carried out prior to the current pandemic. There is a risk that the short to medium term impact of COVID-19 measures on the Scheme's employers, even those larger employers with revenue generating powers such as councils, could present challenges to employers in meeting their short and long-term obligations. NILGOSC will work with its employers and the Department for Communities during this period of uncertainty to manage the increased risk of employer default and the corresponding impact on the Scheme funding level.

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 2019. 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. The Regulator was satisfied with the governance and administration processes in place, highlighting some particular areas of best practice.

In respect of the General Data Protection Regulation (GDPR) and the UK Data Protection Act 2018, NILGOSC systems and processes are continually reviewed and staff trained to ensure compliance with these legislative requirements. Data accuracy and management continues to be a high priority in the 2019/20 business plan, particularly given the drive towards electronic delivery methods. The impact of COVID-19 on NILGOSC operations has necessitated remote working and more electronic exchange of data which has presented challenges and benefits for the staff and the organisation. 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 undertakes annual vulnerability testing of its IT systems as part of its annual Business Continuity Plan by a third party to assess the continued robustness of its IT infrastructure to external attack. This 2020 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 will conclude a number of investment related operational actions from the 2017 Strategic Investment review to achieve its target allocation. The decision to divest £2.2bn from more volatile equities in March 2019 has provided some insulation against the sharp economic impact on markets of the COVID-19 global pandemic in March 2020. This focus on long term scheme sustainability and the achievement of steady long term returns from a suitably diversified investment portfolio is an important part of NILGOSC's on-going risk management process. The 2019 valuation reflected strong market returns from an investment portfolio capitalising on a sustained bull market, resulting in an improved overall funding position and a surplus of 112% as at 31 March 2019. Since that date, asset returns have fallen below the assumption of 4.1% used in the valuation thus impacting the overall funding level. Looking forward, reduced expectations for future asset returns and falls in gilt yields have led to a decrease in the discount rates used in valuation calculations, further reducing the funding level and increasing the future service contribution rate. The contribution rates set as part of the 2019 valuation will be monitored on a regular basis by the Scheme's actuary and action on future employer contributions will be taken by the Committee, if believed necessary.

The COVID-19 pandemic has had a sharp impact on financial markets and the Scheme's asset returns at the end of March 2020. Much of the fall in asset values in the last few weeks of March has recovered however there may be some assets, such as UK commercial property, which may take longer to recover given the predicted long-term changes in societal norms brought about by the pandemic, demand for commercial premises and subsequent effect on commercial rents and market valuations. This risk has been partially mitigated by the diverse and long term nature of NILGOSC's investment portfolio.

NILGOSC will commence its next triennial review of its investment strategy in 2020/21 and will continue to strive for a balance between minimising risk while ensuring a sufficient, stable level of return to meet its obligations. Further details are set out in the Performance Analysis Investment of the Fund section of this Annual Report starting on page 40.

(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 15 to 55 in the Performance Analysis section of the Annual Report.

Administration of the Scheme

- Membership of the Scheme continued to grow during the year with 139,048 contributing members, pensioners and deferred pensioners at 31 March 2020.
- At 31 March 2020 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 (20% in 2019/20 for the majority of employing authorities) and annual monetary amounts in respect of deficit recovery.

- The Pension Increase (Review) Order (Northern Ireland) 2019 increased pensions which had been in payment for more than a year (commenced before 9 April 2018) by 2.4%. A proportionate increase applied to any pensions beginning on or after 9 April 2018 but before 23 March 2019.

- 2019/20 has been a successful year as NILGOSC met or exceeded 14 out of 15 service standards as set out on page 22.

- A stakeholder satisfaction survey was undertaken in February 2020 to measure the satisfaction levels of Scheme members, pensioners and employers. The total satisfaction rating for the year was 91% (2018/19: 92%).

- My NILGOSC Pension *Online*, the self-service facility providing access to member registration and pension information had 19k+ members registered at 31 March 2020. 90% of respondents surveyed ranked the service provided as good or excellent.

- NILGOSC achieved, substantially achieved or was on target to achieve 80 out of the 89 operational actions included in its 2019/20 Corporate Plan. This equates to an achievement rate of 90% (2018/19: 95%).

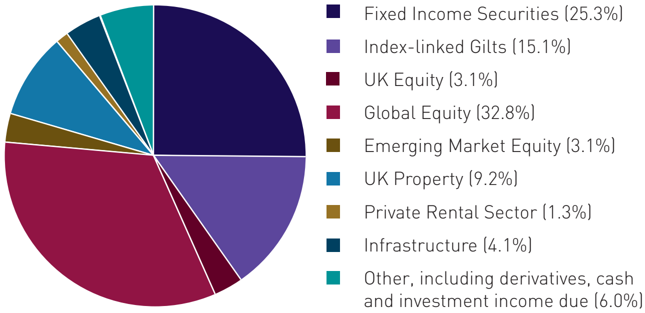
- During the year ended 31 March 2020 NILGOSC received a total of 32 ill-health retirement appeals, 8 formal complaints and 21 informal complaints, a total of 61 appeals/complaints (2018/19: 60).

Investment of the Fund

- The Fund has not been immune to the severe economic impact of COVID-19 and the drop in global oil prices which coincided with the end of this financial period. While the Fund performed well during the period to February 2020, reaching a new high of £8,495m, the sharp interruption in March has resulted in the Fund recording an overall decrease in the value in absolute terms of £162m, giving a value of £7.878bn as at the end of March 2020.

- The strategic decision to divest from equities to fixed income mandates undertaken in March 2019 has somewhat cushioned the impact of the COVID-19 economic shock and the overall fall in asset values during the month of March 2020.

Fund Asset Allocation at 31 March 2020



- The Fund underperformed against target by -2.58% and -0.14% on a three and five year basis respectively for the period ended 31 March 2020. The comparable statistics for the three and five year periods to 31 March 2020 on an annualised basis are set out in the table below:

	3 Years	5 Years
NILGOSC	3.36%	6.01%
CPI + 3.5%	5.94%	6.15%

- Global equity markets' perormance fell during a year of pronounced market volatility. Although some, like the US equities market, rallied in Q1 2020 reaching all-time highs in February 2020, the market subsequently fell 20% in 3 weeks recording the fastest bear market in history.

- Growth in bonds produced positive returns throughout 2019 with index-linked gilts outperforming fixed interest gilts driven by falling inflation. Investment grade corporate bonds spreads reached record highs before a number of companies were downgraded over March 2020. It is believed that this trend will continue through 2020.

- UK property returns were broadly flat over the year with challenging market conditions reflected in a fall in capital values. Although this was offset by stable income returns during the period, Q1 2020 started to show increased vacancy rates and income returns are expected to be challenging from Q2 2020 due to legislation introduced by government to protect tenants under COVID-19 lockdown restrictions.

- NILGOSC has continued to implement its portfolio diversification plan through investment in a range of Infrastructure funds. During 2019/20 further funds were drawn in respect of existing infrastructure and new fund commitments. NILGOSC has committed £585m to a number of Infrastructure investment funds. As at 31 March 2020, NILGOSC had funded £424m of this commitment.

- NILGOSC voted in 223 investee company AGMs and other corporate meetings during 2019/20. The main areas of dissent continue to be executive remuneration practices and board composition.

- NILGOSC updated its Climate Risk Statement in November 2019 which sets out how it will take climate risk into account in its investment decision making framework.

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 Service Manager based on data generated by the pension administration software system and is presented to the Management Committee for review on a biannual basis. Progress in relation to corporate plan objectives is reviewed on a quarterly basis by the Senior Management Team and by the Management Committee every six months; 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 on pages 61 - 68. 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 under the career average revalued earnings (CARE) Scheme at the rate of 1/49th pensionable pay for each year. Prior to that date the Scheme was a final salary scheme. 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. 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 the preceding September. The CPI figure for September 2018 was 2.4% and this was applied to the actual pensionable pay ranges for 2019/20. The rates effective from 1 April 2019 were as follows:

Actual Pensionable Pay Range	Employee Contribution Rate
£0 - £14,800	5.5%
£14,801 - £22,600	5.8%
£22,601 - £37,700	6.5%
£37,701 - £45,700	6.8%
£45,701 - £90,400	8.5%
More than £90,400	10.5%

Employers' contribution rates are determined by the Scheme's actuary every three years. A new approach to collecting deficit recovery contributions from employers was implemented as part of the 2016 valuation and from 1 April 2017 to 31 March 2020 employer contributions consisted 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 three 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 latest triennial valuation took place as at 31 March 2019 and the outcome of this valuation determined the employer contribution rates for the three years commencing 1 April 2020. Most employers participate in a pooled rate and the rate set for each of the next three years from 2020/21 was 19.5% with no deficit recovery contributions. Individual rates and deficit recovery contributions applied to the small number of employers outside the main group. Subsequent events and the impact of COVID-19 on global financial markets creates uncertainty around many of the assumptions used in the 2019 valuation and therefore the funding level going forward. In an attempt to try to prevent any sudden spike in employer contribution rates at the 2022 valuation, the Committee has agreed to keep the funding position and employer rates for 2021/22 and 2022/23 under review.

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 2019/20 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

The Local Government Pension Scheme (Amendment) Regulations (Northern Ireland) (SRNI 2019 No. 206)

These amending regulations were made on 23 October 2019 and came into operation on 18 November 2019. The following is a summary of the changes introduced:

- The key amendment was to reflect the Supreme Court decision that cohabiting partners did not need to be nominated in order to receive a survivor's pension. As before the amendment, a cohabiting partner survivor benefit only applies to those members with active membership (paying contributions) on or after 1 April 2009. In addition, the two-year qualifying period was removed from the criterion that both parties had to be able to marry or form a civil partnership on the date the member died.

- A regulation was reinstated going forward that allows members and employers to continue paying contributions for the first 30 days of any period of absence from work with permission and where the employee is receiving either no pay or reduced pay.

- In line with other Scheme factors the regulations were amended to provide for gender neutral factors for Additional Pensions Contributions. The options relating to pre and post 1 April 2015 additional voluntary contributions (AVCs) were aligned to ensure that most options are now the same irrespective of the commencement date of the AVC contract.

- The calculation of Assumed Pensionable Pay (APP), which is used to work out pay for pension purposes primarily when a member is ill or dies, was revised to allow an employer to use notional pay in circumstances where the APP calculation set out in the regulations would have resulted in a materially different pay.

- Further amendments relating to members included the discretion for NILGOSC to pay members' Annual Allowance tax charges on a voluntary basis with a consequent reduction to pension benefits and all pension credit members can now access their benefits from age 55.

- With regards to employers a new regulation allows for the contributions that an employer pays to NILGOSC to be revised, in some circumstances, between valuations. A further amendment allows, with Departmental approval, the variation in the date of a deferred exit valuation.

The Marriage (Same-sex Couples) and Civil Partnership (Opposite-sex Couples) (Northern Ireland) Regulations 2019 (SI 2019 No. 1514)

These Regulations, made by the Secretary of State on 19 December 2019 and operational from 13 January 2020, enabled civil same-sex marriage and opposite-sex civil partnerships to take place in Northern Ireland under Northern Ireland law. A raft of legislation was amended including changes to the survivor benefits in the LGPS (NI). In general, same-sex spouses and opposite-sex civil partnerships will have the same benefits under the Scheme as opposite-sex spouses and same-sex civil partners enjoyed. The amendments provided that the calculation of survivor benefits for those same-sex couples who get married after they leave the Scheme shall be that, regardless of gender, they are treated the same as a widow of a post-leaving opposite sex marriage with service counting from 5 April 1978. The calculation of survivor benefits for same-sex civil partnerships (entered into after leaving the Scheme) will from 13 January 2020 be calculated in the same way as a same-sex marriage. Survivor benefits from opposite-sex civil partnerships (entered into after leaving the Scheme) will be treated in the same way as post-leaving opposite sex marriages, which continue to be based on gender with female survivor benefits having service counted from 5 April 1978 and male survivor benefits having service counted from 5 April 1988.

Scheme Membership

The number of active, deferred and pensioner members of the Scheme continued to grow during 2019/20. There was no overall change in the number of employing authorities but there was one exit and one new admission.

Members
Membership of the Scheme increased during the year to 139,048 members. At 31 March 2020, the Scheme consisted of 68,153 contributing members, 38,579 pensioners and 32,316 deferred members.

Employing Authorities
At 31 March 2020, there were 171 employing authorities contributing to the Scheme. These employing authorities were composed of 11 councils, 1 Education Authority, 1 Library Authority, 48 associated bodies,

89 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 124 to 127.

St Louis Grammar School Kilkeel was admitted to the Scheme with a retrospective commencement date of 1 September 2018. Covenanter Residential Association Limited ceased participation on 20 November 2019.

Revaluation of CARE Benefits

The Public Service Pensions Revaluation Order (Northern Ireland) 2019 makes legislative provision for the revaluation of active contributing 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 2.4% was applied on 1 April 2019 in relation to CARE benefits built up as at 31 March 2019.

The Public Service Pensions Revaluation Order (Northern Ireland) 2020 confirmed an increase of 1.7% was to be applied on 1 April 2020 to CARE benefits built up to 31 March 2020.

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 Pensions Increase (Review) Order (Northern Ireland) 2019, operational from 8 April 2019, increased pensions which had been in payment for more than a year (commenced before 9 April 2018) by 2.4%. A proportionate increase applied to any pensions beginning on or after 9 April 2018 but before 23 March 2019.

The Guaranteed Minimum Pensions Increase Order (Northern Ireland) 2019 increased GMPs by 2.4% from 6 April 2019.

Cost Cap Mechanism and 'McCloud' Judgement

Cost Cap

The Scheme's regulations make provision requiring the cost of the scheme to remain within specified margins either side of an employer cost cap, and, for cases where the cost of the scheme would otherwise go beyond either of those margins, provision specifying a target cost. The cost cap for the Local Government Pension Scheme (Northern Ireland) was set at 17%.

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

In March 2019, the Department of Finance made the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions (NI) 2019 which gave effect to this pause for devolved NI schemes.

The pause in the cost cap mechanism is expected to continue until there is more certainty on the remedy for age discrimination in the devolved Northern Ireland schemes in general.

McCloud Judgement

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

In June 2019, the Supreme Court refused permission for any further appeal of that ruling and the judicial and firefighter cases in question were referred to the Employment Tribunal to determine a remedy for members who suffered discrimination.

In July 2019, the Westminster Government confirmed that, as transitional protection was offered to members of all the main public service pension schemes, the government intends to address the difference in treatment across all schemes.

The reformed public service schemes in Northern Ireland, including the Local Government Pension Scheme incorporate similar age-based transitional protections, and the Department of Finance is currently overseeing initiatives to remove discrimination in public service schemes made under the Public Service Pensions Act (Northern Ireland) 2014 for the future; and, to remedy the effect of any discrimination scheme members may have incurred since April 2015. Proposals to accomplish this are being considered at the Collective Consultation Working Group, which is the recognised forum for consultation on pension policy and where both civil service employers and employees are represented. A public consultation on an overarching solution is expected later in 2020.

The protections were slightly different within the Local Government Pension Scheme (Northern Ireland) where the transitional protections were achieved by an underpin for protected members. Protected members were those who were age 55 or over at 1 April 2012. A further scheme level consultation will be carried out by the Department for Communities and is expected autumn 2020.

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.

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 £2.6k is being pursued.

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

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 page 120 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. NILGOSC has developed a Statement of Responsible Investment which sets out its practices in this regard. 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 40.

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 updated its Climate Risk Statement in November 2019. This statement sets out the framework in which climate risk is taken into account across the range of assets in which NILGOSC invests. 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 gives due consideration for sustainability factors in its procurement exercises where appropriate.

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

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 or via My NILGOSC Pension *Online*. 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 202 5070. 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

The Management Committee has 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 2020, the internal auditor, ASM, tested NILGOSC's service standards reporting system and performance outturn as part of its annual validations review. The following is a summary of performance against the service standards during 2019/2020.

Task	Service Delivery Standard	Target Performance %	2019/20 Actual Performance %
Lump sum retirement payments	Within 10 days	90%	98%
Death grant payments	Within 10 days	90%	93%
Leaver options notifications	Within 20 days	90%	96%
Refund payments	Within 10 days	95%	99%
Transfer out quotations	Within 20 days	90%	99%
Transfer out payments	Within 10 days	90%	94%
Transfer in quotations	Within 10 days	90%	98%
Transfer in confirmations	Within 20 days	90%	99%
New entrant certificates	Within 20 days	95%	100%
Correspondence	Within 10 days	95%	97%
Benefit quotation requests	Within 10 days	90%	95%
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%	99%
Pensions paid each month	Last banking day of month	100%	100%
P60s issued to all pensioners	By 31 May	100%	100%

The 2019/20 year has been a successful one for NILGOSC with all but one of the 15 service standards achieved or exceeded. NILGOSC was unable to issue 0.03% of its active membership with an annual benefit statement as valid addresses had not been provided or where other information essential to the production of the statement was missing e.g. pensionable pay details. Some members joined the employer too late in the financial year and missed inclusion in the final payroll for 2019/20 and therefore had no pay details recorded.

Service Delivery Enhancements

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.

Over the past year NILGOSC has promoted this service and has taken steps to gradually move some of its communications online. 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 in respect of routine record updates as more members register on the system.

At March 2020 over 19,000 members have registered and website activity indicates growing participation. In the most recent survey of members, My NILGOSC Pension *Online* service was scored in terms of ease of registration, quality and accuracy of information provided, look and layout of website and ease of navigation; 90% of respondents rated these categories as good or excellent.

Satisfaction Survey

A Stakeholder Satisfaction Survey for the year 2019/20 was carried out in February 2020. Surveys were drawn up for members, deferred members and pensioners, relevant to the service they receive from NILGOSC. Approximately 35,000 surveys were sent, and the response rate averaged at 21%.

In addition, online surveys were also sent to all 171 employing authorities. A total of 52 employers responded to the survey, a response rate of just over 30%. Of this 97.5% rated their overall satisfaction with NILGOSC as good or excellent.

The surveys focused on three main areas:

- 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* and the NILGOSC website

Overall satisfaction levels for good or excellent service received ranged from 85% of deferred members, 88% of active members, 95% of pensioners to 98% of employers. The total overall satisfaction rate for all respondents was 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. 93% of member respondents rated NILGOSC communications as being good or excellent.

Customer Service

The survey examined a range of areas relating to customer service for members. Overall customer service received a rating from members and employers of 92%.

My NILGOSC Pension *Online*

My NILGOSC Pension *Online* is a self-service facility that allows members to access their pension details securely and update their information. They can check the value of their pension benefits, update personal details and estimate the value of their pension upon retirement. Elements of My NILGOSC Pension *Online* ranked included ease of registration, quality and accuracy of information provided, look and layout of website and ease of use. 93% of respondents rated these categories as good or excellent.

NILGOSC Website

The survey asked all respondents to rate the look and feel, and quality of content on the NILGOSC website. Overall, more than 93% of member respondents rated the NILGOSC website 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 2020, the cost per member adjusted for inflation has decreased from the previous year. After adjustment the administration expenses have remained consistent with the prior period but the net uplift in total membership has reduced the cost per member for 2019/20.

Year ended 31 March	Total Members	Number of Staff	Members/ Staff	Admin Expenses £'000	Cost/ Member £	Cost adjusted for Inflation £
2011	90,667	50	1,813	1,950	21.51	25.14
2012	92,761	49	1,893	2,357	25.40	28.89
2013	95,382	50	1,908	2,892	30.32	33.61
2014	103,382	53	1,951	3,112	30.10	32.84
2015	109,462	58	1,887	3,267	29.85	32.56
2016	114,026	64	1,782	3,803	33.35	36.21
2017	118,794	78	1,523	4,348	36.60	*38.84
2018	122,587	84	1,459	4,393	35.84	*37.10
2019	129,947	82	1,585	4,699	36.16	*36.70
2020	139,048	77	1,806	4,643	33.39	**33.39

* Between 2017 – 2019 adjustments to the Administration expenses totals have been made (2018/19 £846k; 2017/18 £281k; 2016/17 £1,933k) for the purposes of the cost per member calculation. These adjustments reflect 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 the triennial valuation.

** The total administration expenses in 2019/20 has been reduced by £625k, that being an IAS 19 adjustment to current service pension costs in 2019/20 following the 2019 actuarial valuation as this is also not a member related cost.

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 office is open to visitors. 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 32 ill-health retirement benefit appeals, 8 formal complaints and 21 informal complaints during 2019/20, a total of 61 appeals/complaints. None of the 8 formal complaints progressed to a stage two review within the same year. The 32 ill-health retirement appeals consisted of 22 stage 1 appeals and 10 stage 2 reviews. Of the 22 stage 1 ill-health retirement benefit appeals, 6 progressed to stage 2 reviews, 3 decisions were replaced and 3 remain outstanding. The remaining 4 stage 2 reviews related to stage 1 appeals from the previous year, 3 of which were upheld and one remains outstanding.

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 2019/20

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 2019/20 Corporate Plan was completed or on target at 31 March 2020.

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 2020	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	452,752 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	2,511 pension lumpsums paid YTD 98% 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	2,141 refunds paid YTD 99% within target Average time taken 8 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	112 transfer outs paid YTD 94% within target Average time taken 8 days	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 2019/20. 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 179 posted within the July 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	360 transfer in confirmations provided YTD 99% within target Average time taken 7 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	Actioned within prescribed timescales	Achieved

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2020	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	6,146 items of correspondence 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	2,723 early leaver notifications provided YTD 96% within target Average time taken 12 days	Achieved
	1.3.3 To provide members with benefit quotations on request	Benefit quotations issued within 10 working days	4,062 quotations provided YTD 95% 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	Benefit statements were issued ahead of the statutory deadlines. 89.2% of deferred statements were issued and 99.7% of active member benefit statements.	Substantially Achieved
	1.3.5 To provide members with annual allowance statements as applicable	Statements issued by 6 October	187 pension savings statements were issued by 6 October	Achieved
	1.3.6 To provide an estimate of a CETV	Within 20 working days of receipt of relevant details	732 transfer out quotations provided YTD 99% within target Average time taken 7 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	116 dependants' pensions paid YTD 99% within target Average time taken 4 days	Achieved
	1.4.2 To pay death grants promptly	Within 10 working days of receipt of relevant proof of title	1,009 death grants paid YTD 99% within target Average time taken 3 days	Achieved

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2020	Status
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	The Local Government Pension Scheme (Amendment) Regulations (Northern Ireland) 2019 were made on 23 October 2019 and The Marriage (Same-sex Couples) and Civil Partnership (Opposite-sex Couples) (Northern Ireland) Regulations 2019 were made on 19 December 2019. The changes introduced by these amending regulations were implemented within 3 months of them being made.	Achieved
	1.5.2 To train relevant staff on any regulation changes	Relevant staff trained on new regulations within 3 months of regulations made	Staff were trained on the new regulations within timescales	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	Administration systems were updated within timescales	Achieved
	1.5.4 To update processes to reflect scheme changes arising from cost cap breach	Processes updated within 6 months of regulations made	The Cost Cap changes were postponed pending changes as a result of the McCloud case. Possible changes relating to both matters are still awaited.	On Target
	1.5.5 To train staff on scheme changes arising from cost cap breach	Staff trained on new regulations within 3 months of regulations made	The Cost Cap changes were postponed pending changes as a result of the McCloud case. Possible changes relating to both matters are still awaited.	On Target
	1.5.6 To update administration systems for scheme changes arising from cost cap breach	To have pension software updated within 6 months of regulations made	The Cost Cap changes were postponed pending changes as a result of the McCloud case. Possible changes relating to both matters are still awaited.	On Target

Business Objective	**Operational Action**	**Performance Indicator**	**Progress at 31 March 2020**	**Status**
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	28 SARs received and responded to within timescales. 19 FOI requests received and responded to within timescales.	Achieved
	1.6.2 To implement the Retention and Disposal Schedule	To complete implementation for electronic records by March 2020	The electronic disposal of records is pending implementation of an EDRMS. An agile approach to the project has been adopted and the Discovery phase commenced in late 2019. The Alpha phase will be undertaken in 2020/21. The implementation of Office 365, which is required to support the development of SharePoint for EDRMS, was completed in 2019.	Not Achieved
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	In 2019/20 a total of 1,036 hours of training was completed and annual training plans agreed for all staff	Achieved
	1.7.2 To utilise e-learning packages for mandatory corporate training, where appropriate	All staff have successfully completed e-learning modules issued	All new staff members completed Equality and Diversity, GDPR and Freedom of Information e-learning modules as required	Achieved
	1.7.3 To undertake a review of the staff structure and capacity	Review completed by 31 March 2023	Not due in current reporting period	On Target
	1.7.4 To monitor staff retention and address any issues identified	Staff turnover level maintained below 20%	Staff turnover for rolling 12 months is 16.8% which reduces to 10.8% if fixed term contracts and placements are excluded	Achieved
	1.7.5 To undertake a biennial staff satisfaction survey and address any issues identified	Staff survey completed by 31 March 2021	Not due in current reporting period	On Target

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2020	Status
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	Phase 3 completed by 31 March 2020. Full office refurbishment completed by 31 March 2021.	Completion date has been pushed out a further 12 months in 2020/21 corporate plan to spread Phase 4 costs across two budget periods. Phase 3 bathroom refurbishment commenced in February 2020 but has been delayed as a result of the government's coronavirus restrictions.	Moderately Behind Target
1.9 To maintain accurate and complete member data	1.9.1 To undertake annual data matching and address tracing exercise	Reduce missing addresses at 31 December by 50%	Address tracing exercise completed during Q3 and missing addresses reduced by 53.8%	Achieved
	1.9.2 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	2019 Common data 98.1% (2018 94.7%) 2019 Scheme specific 96.6% (2018 91.3%)	Achieved

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 2020	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	The 31 March 2019 triennial valuation report was published on 31 March 2020	Achieved
	2.1.2 To provide necessary information to GAD for cyclical cost cap valuations	Information provided by due date	Data provided to Scheme Actuary and to GAD within agreed timescales	Achieved
	2.1.3 To ensure employer contribution rates for 2019/20 implemented and deficit recovery contribution streams collected	Collect minimum contributions due under current Rates & Adjustment certificate	All contributions and deficit recovery streams collected as set out in Rates & Adjustment certificate. Outstanding deficit recovery amounts collected with March 2020 contributions in April 2020.	Achieved

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2020	Status
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 2020 was behind the fund target of CPI+3.5% by -2.58% and -0.14% respectively	Not 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 2020 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: £2,066.8k to 31 March 2020 Class actions income to 31 March 2020: £39.6k	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	Up to 31 March 2020; votes were cast at 224 meetings for 228 companies. 56 engagement letters were issued: 30 to UK companies and 26 to European companies. £39,585.31 recovered through class actions to 31 March 2020.	Achieved
	2.2.5 To implement the decisions from the Investment Strategy Review	Revised Investment Strategy implemented by 31 January 2020	The move to fixed income assets was completed in 2018/19 and CBRE GIP was appointed in February 2020 to manage a Global Property mandate. The process to implement the final change, an active emerging markets equity manager, commenced in August 2019 with the mandate due to be funded during 2020.	Moderately Behind Target

Business Objective	**Operational Action**	**Performance Indicator**	**Progress at 31 March 2020**	**Status**
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 noted at relevant Management Committee meetings	Achieved
	2.3.2 To benchmark investment performance against LGPS peers	Annual benchmark report produced by 30 September	Annual benchmarking report presented to Committee in August 2019	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 and reported to the Committee. Cost transparency data was obtained and collated for all investment managers and fund managers for 2018/19 and presented to the Committee. The 2019/20 exercise will commence shortly after year end when the data becomes available.	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 2018/19 and have committed to completing it again for 2019/20 once the data becomes available	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	Updated SIP approved by the Committee in March 2020. FSS approved by the Committee in August 2019.	Achieved
	2.4.2 To monitor and manage employer covenants in line with Funding Strategy Statement	Review completed by 31 March 2020	2019 Funding Strategy Statement issued for consultation in June 2019, approved by Committee and circulated to employers in September 2019. Annual employer covenant exercise conducted in Q3 2020.	Achieved

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2020	Status
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	Ongoing consideration of opportunities via Lothian collaboration. Three co-investments made during 2019/20.	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 2020 NILGOSC lent its support to 4 CDP Campaigns on Climate Change Water, Forests and Non-disclosure; supported 8 global initiatives/engagements; and joined the Institutional Investors Group on Climate Change (IIGCC).	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 2020	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 2020 was 68,153, an increase of 29% from that at 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	Literature, guidance and the website were updated within timescales	Achieved
	3.2.2 Provide employee and employer seminars	Employer satisfaction rating as measured through annual satisfaction survey	55 seminars were carried out. Satisfaction survey results show that 100% of respondents rated presenters, content, structure and length as good or excellent. 96.4% were content with the location of events.	Achieved
	3.2.3 To lay the annual report in the NI Assembly	In accordance with date agreed with Department	Annual report laid in the NI Assembly on 10 September 2019 as agreed with DfC	Achieved

Business Objective	**Operational Action**	**Performance Indicator**	**Progress at 31 March 2020**	**Status**
	3.2.4 To implement the Communications Workplan	Actions completed in line with target dates	Actions within the Communications Workplan prioritised due to staff illness resulting in some items such as videos being carried forward into the next year. Software changes delayed actions relating to the recording of communication preferences.	Moderately Behind Target
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	Active members were advised of relevant changes within timescales. The notification of the first set of amending regulations to deferred members and pensioners were issued 18 days outside of the 3 month timeframe.	Moderately Behind Target
	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	18,567 new members processed within 20 days of receipt of information from employer 100% 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.	Advice was provided where 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 at monthly SMT meetings as part of public sector redundancies project	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 2020	Status
4.1 To influence changes to the LGPS and actively contribute to relevant consultations	4.1.1 To ensure that employers are aware of potential scheme changes	All employers informed of key potential scheme changes	Circulars were issued when required to advise of any changes	Achieved
	4.1.2 To respond to relevant Government consultation exercises	By consultation reply date	Responded to DWP and TPR consultations to date	Achieved
	4.1.3 To respond to parent Department consultation exercises	By consultation reply date	Responded to DfC LGPS consultation	Achieved
	4.1.4 To contribute to consultee groups eg PLSA, LGPC etc	To have representation on all groups	Representation on groups continued	Achieved
	4.1.5 To contribute to industry discussions around scheme simplification	To be represented at LGPS simplification discussions	Represented on the Scheme Advisory Board for England and Wales which is overseeing a simplification project	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	Engaged with NILGA executive, Fermanagh & Omagh DC and Ards and North Down BC on investment issues. Engaged with Scheme Advisory Board on McCloud remedy.	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	Latest draft amendments reviewed	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 2020	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 audit requests responded to in a timely fashion and formal External Auditor letter responded to within 4 working days	Achieved
	5.1.2 Review of NILGOSC Internal Controls	Annually by 31 March	Governance statement 2018/19 completed	Achieved
	5.1.3 Participate in data matching exercises as appropriate	Identify invalid payments and recoup losses	661 data matches were released on 10/01/19 across eight reports in respect of the 2018/19 NFI exercise. Five overpayments totalling approximately £3.2k have been identified. As at 31 December 2020, one has been repaid and recovery of the remaining overpayments of £2.6k is being pursued.	Achieved
	5.1.4 To test Business Continuity procedures and ensure effective	Annual test of Business Continuity Plan	Annual BCP test successfully carried out in March 2020 to assess the ability to access all servers applications and to generate files to enable payment of pensions and salaries based on various scenarios	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 annual review of the risk register for 2019/20 was completed by SMT on 1 May 2019. The updated Risk Register was approved by the ARAC and Management Committee in June 2019. Quarterly reviews took place during the 2019/20 year.	Achieved
	5.1.6 To undertake a triennial review of the Organisation's Strategic Objectives	Review undertaken by 31 December 2021	Not due in current reporting period	On Target

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2020	Status
	5.1.7 To undertake the retendering of goods and services	Tenders completed in line with procurement schedule	All procurement activity conducted in line with 2019/20 procurement schedule	Achieved
	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	Continue to identify collaborative/ framework contracts to ensure best value for NILGOSC. Utilised Education Authority CoPE contract for capital works; NICS contract for banking services; and LGPS frameworks for Actuarial Services, Legal services and Member Data Tracing in 2019/20.	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 annual Committee training event was held on 2 April 2019. In the year to date, Committee members have completed 574.5 training hours. Two Committee members did not meet their individual target.	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 2 new appointments to the Management Committee during 2019/20 with inductions completed in the same quarter	Achieved
5.2 To maximise efficiency through the use of technology	5.2.1 Implementation of an Electronic Document Records Management System	System installed and operational by 31 March 2020	The electronic disposal of records is pending implementation of an EDRMS. An agile approach to the project has been adopted and the Discovery phase commenced in late 2019. The Alpha phase will be undertaken in 2020/21. The implementation of Office 365, which is required to support the development of SharePoint for EDRMS, was completed in 2019.	Not Achieved

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2020	Status
	5.2.2 To implement automated receipt and straight through processing of data from employers	System operational by 31 March 2020	This project was scaled back pending the completion of the National LGPS Framework for Pension Software which is expected in April 2020. Testing was successfully undertaken for some small employers and NILGOSC.	Not Achieved
	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	To have 10% members electing for e-communications by 31 March 2020	Going forward, non-postal communications will be delivered via MSS. 18% of members registered for MSS at 31 March 2020.	Achieved
	5.2.4 To promote the take-up for Member Self Service across scheme membership	To achieve a 10% registration level for members by 31 March 2020	At 31 March 2020, 19,324 members had registered for MSS representing 18% of individuals participating in the Scheme	Achieved
	5.2.5 To implement redesign of key pension administration processes	To implement redesigned processes by 31 March 2020	52 workflows have been redesigned and Live from 1 April 2020. New workflows for two processes are due for completion in Q1 2020/21.	Substantially Achieved
	5.2.6 To implement a cloud-based hosting solution for IT infrastructure	Migration completed by 31 March 2020	Due to transition of staff within the IT Team over the last 12 months, it has not been possible to scope, plan and implement a hosting solution by 31 March 2020. A new Infrastructure Manager joined in August 2019 and a new IT Manager in February 2020. A plan to take this action forward on a phased basis will be developed in 2020/21. The first phase was completed in 2019 with the migration of MS Exchange to Office 365.	Not Achieved

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2020	Status
	5.2.7 To undertake a website refresh	Website refresh completed by 31 March 2021	An Accessibility audit was completed and the results reviewed. As structural changes are required to the website, a decision has been taken to proceed with procurement of a new website. As an interim solution, amendments have been made to the current website.	On Target
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	Issued quarterly	Substantially Achieved
	5.3.2 To establish project groups to manage projects on a timely and effective manner	Projects managed in accordance with industry standard methodology and in line with project timetable	All projects are scoped by and supported by the Project Coordinator using tailored PRINCE2 and Agile methodology. Current projects include, EDRMS, Refurbishment of Templeton House and Public Sector Accessibility Regulations 2018.	Achieved

6. To promote equality of opportunity, good relations and to fulfil Section 75 obligations.

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2020	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	No policies were required to be equality screened in the year	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	Not due in current reporting period	On Target
	6.2.2 To record annual recruitment monitoring information	Report submitted by 1 May each year	Fair Employment Monitoring return was completed and submitted on 5 April 2019	Achieved

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2020	Status
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	Ongoing action continues to be taken in line with the Action Plan. Progress is reviewed by the SMT on a bi-annual 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 2019	The Annual Progress Report was submitted to the Equality Scheme on 30 August 2019	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	Scheme publicised in annual newsletters and Annual Report	Achieved

Status Key

Achieved	Target Met
On Target	Substantially Achieved (>90%) or Progress in line with Plan
Caution	Moderately Behind Target (between 75% and 90%)
Behind Target/Not Achievable	Significantly Behind Target (<75%) or Not Achieved

(III) INVESTMENT OF THE FUND

Background

The LGPS (NI) 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 2020 is included on pages 115 to 117.

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 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 2019 assumes a prudent investment return of 4.1% for the main group of employers, which is equivalent to CPI +2.1%. NILGOSC's overall investment target changed on 1 April 2018 in line with the new investment strategy adopted. 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. 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 advisor 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 by the end of 2020. The revised strategy has reduced the proportion of the Fund invested in equities from over two-thirds to just over one-third and is reweighting the Fund towards fixed income going forward, as NILGOSC seeks to reduce investment risk as the Fund slowly matures. The reweighting of the Fund 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 phase of the transition successfully completed in March 2018, with £827.8m transferred from active UK equity mandates to fund an increase in passive index linked gilts managed by Legal & General. The second phase of the transition took place during 2018/19, with 3 further 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. 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 phase of the transition saw the appointment of a new investment manager, CBRE GIP, in February 2020 to manage a c.£250m Global Property mandate. This mandate was not funded at 31 March 2020 and will be gradually drawn over 12-18 months as suitable opportunities arise. The final phase of the transition involves the appointment of a specialised Emerging Market Equity manager to manage a mandate of c.£200m. This selection exercise is underway with appointment expected to take place before the end of 2020. This appointment combined with further investment in infrastructure will reduce equity holdings to c.34% of the total fund in line with the strategic target.

The target asset allocation in effect at 31 March 2020 is that agreed in October 2017. The following table shows the target asset allocation along with the current weighting as at 31 March 2020. It also sets out the approximate assumptions made about the real return for each asset class in determining the strategy as at 31 March 2020.

Asset Class	**Target Weighting %**	**Current Weighting %***	**Real Return % p.a.****
UK Equity	5.5	3.4	5.00
Global Equity	26.0	35.2	4.75
Emerging Market Equity***	2.5	3.3	6.25
UK Traditional Property	7.0	6.2	3.25
Private Rental Sector	1.5	1.4	3.25
Index Linked Leases	3.5	3.7	2.50
Global Property	3.0	0.0	3.00
Infrastructure ****	7.5	4.4	5.00
Index Linked Gilts	14.5	16.3	-2.25
Absolute Return Bonds	14.5	12.2	-1.00
Multi Asset Credit	14.5	13.9	2.25

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

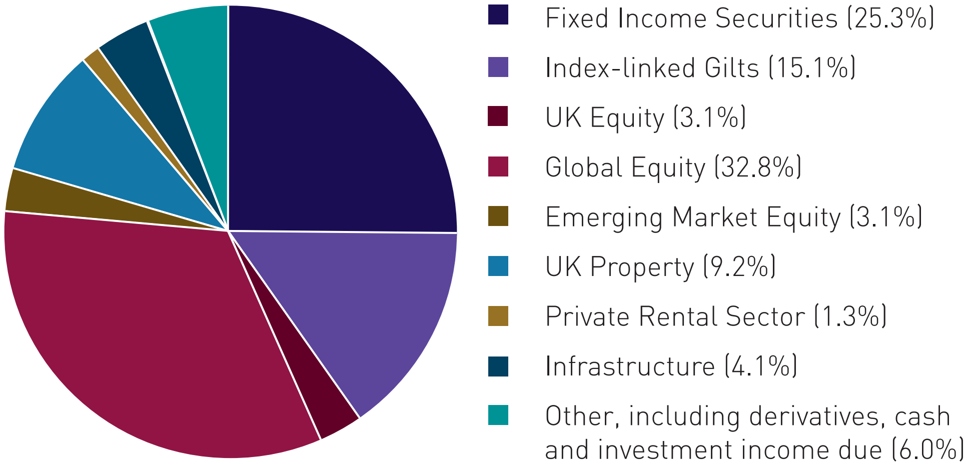
** The real return figures are based on Aon Hewitt's 10 year forward-looking assumptions at 31 March 2020 for each asset class and have been adjusted for its CPI assumption of 2.1% per annum. The figures do not allow for active management in traditional (equity, bonds, property) asset classes.

*** The current Emerging Market allocation relates to Passive investments held with Legal & General Investment Managers.

**** Return is for US and European infrastructure investments. NILGOSC has committed £585m to a number of Infrastructure investment funds. As at 31 March 2020, NILGOSC had funded £424m (c.72%) 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 2020 is illustrated in the following pie chart. The calculations include investment cash held for trading purposes which is categorised as 'other'.

Fund Asset Allocation at 31 March 2020



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 2019/20, NILGOSC continued this collaboration and at 31 March 2020 had committed a total of £81m through such investments. A further £56m is committed to co-investment opportunities directly with Antin Infrastructure Partners.

The table on page 43 sets out the mandates and primary fund investments in place as at 31 March 2020 and details the type and percentage of assets invested with each at this date, including cash held for trading purposes. In the case of the primary funds, the % shown in the table reflects the value of NILGOSC's investment in the fund at 31 March 2020 and not the total commitment made to the fund. This information can be found in the footnote to the table overleaf.

Asset Class	Fund Manager	% of Total Fund
Mandates:		
UK Equities	Jupiter Asset Management	3.74%
Global Unconstrained Equities	Baillie Gifford Unigestion	9.52% 4.90%
Passive Funds	Legal & General Investment Management	38.39%
Absolute Return Bonds (ARB)	Royal London Asset Management T. Rowe Price	7.38% 7.40%
Multi Asset Credit (MAC)	BlueBay PIMCO	6.83% 6.96%
UK Traditional Property	LaSalle Investment Management	5.90%
Index Linked Property	LaSalle Investment Management	3.53%
Global Property	CBRE Global Investment Partners	0.00%
Primary Funds:		
UK Residential Property	M&G UK Residential Property Fund[1]	1.34%
Infrastructure	Antin Infrastructure Fund II[2] Antin Infrastructure Fund III[3] Antin Infrastructure Fund IV[4] KKR Global Infrastructure Investors Fund II[5] KKR Global Infrastructure Investors Fund III[6] DIF V[7]	0.52% 0.86% 0.01% 0.66% 0.18% 0.38%
Infrastructure Co-Investments	Various[8]	1.44%
Smaller NI Investments	Various	0.06%

Source: The Northern Trust Company

[1] Total commitment £100m
[2] Total commitment €48m (£42.5m converted at 31 March 2020 exchange rate)
[3] Total commitment €75m (£66.4m converted at 31 March 2020 exchange rate)
[4] Total commitment €75m (£66.4m converted at 31 March 2020 exchange rate)
[5] Total commitment $60m (£48.4m converted at 31 March 2020 exchange rate)
[6] Total commitment $50m (£40.3m converted at 31 March 2020 exchange rate)
[7] Total commitment €50m (£44.2m converted at 31 March 2020 exchange rate)
[8] Total commitment £64.0m, €64.5m and $20m (£137.2m converted at 31 March 2020 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 benchmark indices for each asset class held by the fund as at 31 March 2020 are shown in the following table:

Asset Class	Target/Benchmark Indices (Outperformance shown per annum)
UK Equities	FTSE All Share + 2%
Overseas Equities	MSCI All Countries World + 3%
	FTSE All World Index + 3%
	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	
Index Linked Gilts	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	MSCI UK Quarterly Property Index + 1%
Global Property*	Absolute Return of 5-7%
Private Rented Sector	7% Absolute Return
Infrastructure	CPI + 3.5%

* This mandate was implemented in February 2020 but was not funded before 31 March 2020.

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 throughout 2019/20 to allow an effective transition to the new asset allocations and investment strategy. Rebalancing is expected to recommence during 2020/21.

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 performance 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 mandate. 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, ESG, risk management and the fund managers level of assets under management. NILGOSC also takes advice from its investment advisor, Aon, 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 fell over the last year, with the MSCI AC World Index falling by 9.5% in local currency terms. Global equities performed well in the first three quarters of the period, recording the best annual equity market gain in a decade in 2019 as trade war concerns faded with the eventual agreement of a "phase one" US-China trade deal. However, COVID-19 brought an end to the decade-long bull market in Q1 2020, as the virus outbreak in China escalated into a global pandemic. Whilst unprecedented fiscal and monetary stimulus provided support to markets, the MSCI AC World index still recorded its worst quarter since the 2008 Global Financial Crisis with a -19.9% return in local currency terms in Q1 2020. With much of the global economy shuttered going into Q2 2020, a deep global recession appears to be inevitable.

The US Federal Reserve (Fed) implemented three 0.25% rate cuts over the second half of 2019, bringing the Federal Funds Rate target down to 1.50%-1.75%. The Fed then announced two emergency rate cuts in Q1 2020 in a bid to mitigate the severe economic impacts of COVID-19, lowering the Fed Funds Rate target by a total of 1.50% to 0.00%-0.25%. The Fed also relaunched quantitative easing, pledging to buy potentially unlimited amounts of treasuries, corporate bonds, and other credit assets.

Following the Fed's lead, the Bank of England (BoE) cut its base rate by 0.65% to an all-time low of 0.10% in Q1 2020. Meanwhile, the European Central Bank (ECB) cut its deposit rate by 0.1% to -0.5% in September 2019 but, with limited room to cut rates further, kept interest rates unchanged in Q1 2020 amidst the coronavirus outbreak. The BoE joined the ECB in launching a new asset purchase programme in Q1 2020.

Brent Crude oil prices fell sharply by 66.7% to US$23 a barrel over the last twelve months. Weakening global economic growth and heightened trade tensions kept a lid on crude oil prices over 2019 but almost all of the decline occurred in Q1 2020. Over that quarter, oil prices fell by 65.5% in USD terms as demand for fuel fell due to social distancing measures to reduce the spread of COVID-19 whilst Saudi Arabia ramped up production after it failed to agree a plan with Russia to cut oil supply.

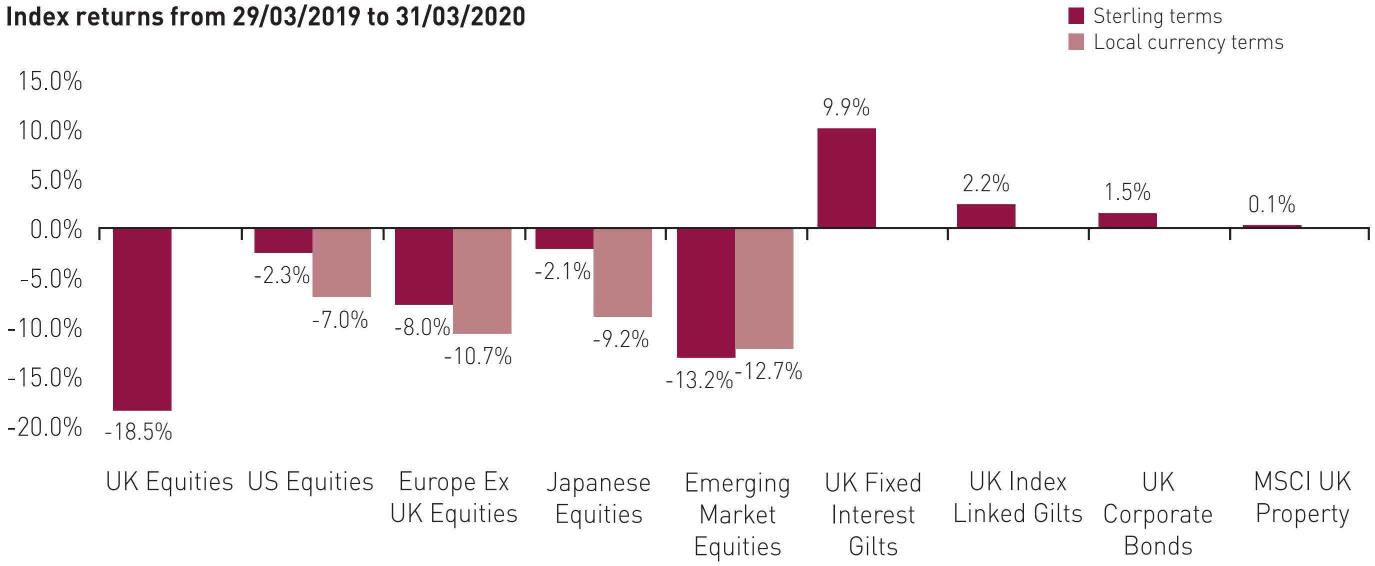
Sterling ended a highly volatile twelve-month period 1.7% lower on a trade-weighted basis. Sterling was driven by Brexit developments for most of 2019. Whilst fears of an acrimonious "No Deal" Brexit kept pressure on Sterling over 2019, Sterling rallied after Prime Minister Boris Johnson agreed a Withdrawal Agreement with the European Union and his Conservative Party won a sizeable majority in the UK general election, paving the way for the Brexit Withdrawal Agreement to be ratified. Sterling fell sharply in Q1 2020, briefly hitting a 30-year low of $1.15/£ against the US dollar amidst safe haven dollar inflows and a deteriorating UK coronavirus situation.

UK gilt yields fell in tandem with global government bond yields as monetary easing measures by major central banks took interest rates to near zero. Meanwhile, increased demand for government bonds from investors seeking "safe haven" assets amidst an equity market sell-off and from central banks implementing quantitative easing measures also drove prices up and yields down further. Investment grade credit spreads (the difference between corporate and government bond yields) rose over the year to end at their highest level since 2012. Credit spreads widened in Q1 2020, a reflection of the risk asset sell-off which tormented equity markets over the quarter, as concerns over future corporate earnings and existing corporate leverage resurfaced.

UK commercial property returned 0.1%, supported by a steady income return of 5.4% which offset the 5.0% fall in capital values. The coronavirus outbreak intensified pressure on the already struggling retail sector, delivering a total return of -9.7% over the period.

The graph below summarises the index returns on the main asset classes/regions for the year to 31 March 2020. Returns are shown in sterling terms and local currency terms.

Index returns from 29/03/2019 to 31/03/2020



Source: Factset, MSCI

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

Equities

UK equities fell sharply over the year, returning -18.5%. UK equities rose over Q2 2019 despite lacklustre UK economic data releases and this continued over Q3 2019, although equity market momentum weakened. UK equities continued to rise over Q4 2019, but lagged other markets, suggesting that some Brexit-related fears still prevented UK stocks from fully participating in the strong global equity rally. However, in Q1 2020, UK equities underperformed other regions with a return of -25.1%. The FTSE 100 index briefly fell below 5,000, its lowest level since 2011, before recovering some of the losses towards the end of March. The UK equity market's heavy exposure to commodities (Oil & Gas and Basic Materials sectors) suffered from the collapsing oil price over Q1 2020 caused by a disagreement between OPEC and Russia over oil production and lower global demand for commodities due to the virus.

US equities outperformed other markets over the year, returning -7.0% in local currency terms. Performance was strong in Q2 2019 as US equities rallied strongly late in the quarter as the Fed moved to a more dovish stance and trade concerns retreated slightly. Positive performance continued for the remainder of 2019, as more defensive stocks performed well in the third quarter with Consumer Staples and Utilities posting near double-digit returns, and Q4 performance was driven by valuation multiple expansion, leading US equities to all-time highs. US equities fell sharply over Q1 2020, despite reaching all-time highs in mid-February, as the market subsequently fell more than 20% below its peak in just over three weeks, recording the fastest bear market in history.

European equities were buoyed by improving investor risk appetite over Q2 2019, despite being buffeted by the global slowdown and rising trade concerns. Defensive stocks in Europe outperformed their more cyclical counterparts in the third quarter, with the latter hit by data releases pointing to signs of further economic weakness particularly in the manufacturing sector. Over Q4 2019, a slight improvement in European economic data, combined with expectations of a trade deal between the US and China, led European equities higher. However, as with other markets, this was reversed in Q1 2020 as Europe was amongst the worst impacted by the coronavirus outbreak with the region accounting for the majority of the world's confirmed cases as at the end of March. The relatively limited scope for fiscal and monetary stimulus in the region compared to elsewhere was a drag on investor sentiment. The Europe ex UK index fell 10.7% over the year in local currency terms.

Japanese equities returned -9.2% in local currency terms over the year. Japanese equities struggled over the second quarter of 2019 and were the only major equity market to fall in local currency terms. However, they bounced back in Q3 and Q4 following better than expected economic releases and greater optimism for some respite in the US-China trade war. The region was the best performing over Q1 2020 as the COVID-19 outbreak appeared to be relatively contained in Japan. The lower corporate leverage amongst Japanese companies also helped to limit drawdowns.

Emerging Market equities returned -12.7% in local currency terms over the past year. Trade concerns hurt emerging markets and especially exporting countries in Q2 and this continued to depress emerging markets over Q3. Emerging market stocks recovered strongly in the fourth quarter with the highest local currency return among major equity markets. Alongside the thawing of trade tensions, reflationary policies in China (lowering of reserve requirement ratios and greater fiscal expansion) helped Chinese equities surge. Emerging markets suffered similar returns to other regions in Q1 2020, as whilst the coronavirus outbreak hit China hard when it first spread out from Wuhan, Chinese equities were boosted by signs of recovery from the outbreak later on.

Bonds

UK fixed gilts returned 9.9%, whilst UK index-linked gilts returned 2.2% as yields fell across both curves. Over Q2 and Q3, gilt yields were influenced by the downtrend in global bond yields on the back of the easier monetary stance of central banks and weaker global growth. However, yields rose over the fourth quarter, although this was reversed in Q1 2020.

Index-linked gilts outperformed fixed interest gilts over Q2 and Q3 2019, despite the fall in breakeven inflation (a market-based measure for expected inflation, calculated as the yield of a fixed interest bond minus the yield of an inflation linked bond of the same maturity) which meant real yield movements were generally more muted. However, index-linked gilts underperformed fixed interest gilts in Q1 2020, driven by falling breakeven inflation especially pronounced at shorter durations.

Corporate bond spreads (the difference between the yields on non-government bonds and equivalent maturity government bonds) fell across all credit grades, although the move was most notable among lower quality corporate bonds in the second quarter of 2019. However, concerns over UK credit escalated over the third quarter with investment grade credit spreads widening slightly before reversing the following quarter. In Q1 2020, UK investment grade corporate bond spreads reached their highest levels since 2012, with lower quality credit spreads widening by more than their higher-quality counterparts. This reflected increased downgrade risks, as a number of lower-rated companies were downgraded out of investment grade status over March, with more expected in the coming weeks.

Property

The MSCI UK Monthly Property Index was broadly flat over the year, returning 0.1%. Tough market conditions meant capital values fell. These lower values were, however, more than offset by stable income returns. There was no discernible change in either market rents or vacancy rates over Q2 and Q3 2019, but rental growth became negative over Q4. In the first quarter of 2020, overall performance was negative, as vacancy rates increased and rental growth continued to be negative.

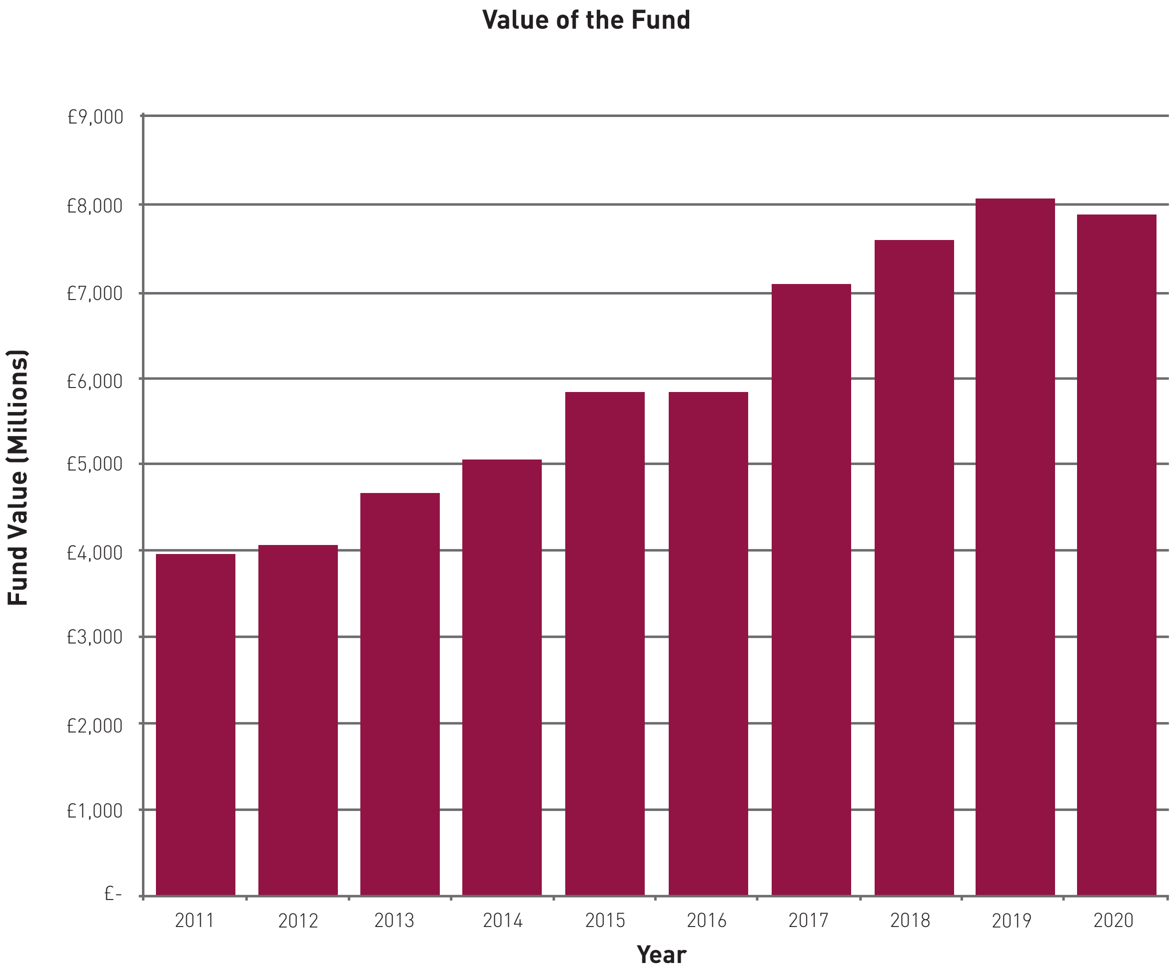
Infrastructure

For the better half of 2019, institutional investors have continued to embrace the potential of equity investment in core private infrastructure assets providing diversification, inflation protection and yield returns. Due to favourable diversifying effects of the asset class there continues to be a lot of interest in illiquid opportunities such as infrastructure. As with all illiquid asset classes, valuations need to be treated with an element of caution and the true performance of these assets is known once assets are realised.

Fund Value

The value of the Fund at 31 March 2020 has fallen by £162m to £7.878bn (2018/19 £8.040bn) or -2.0% 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 115 to 117.



NILGOSC Investment Performance 2019/20

Over the year to 31 March 2020, the Fund's overall return on the total assets was -2.17% (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 underperformed its target by -2.58% on a three year basis and by -0.14% on a five year basis for the period ended 31 March 2020. The comparable statistics for the three and five year periods to 31 March 2020 on an annualised basis are set out in the table below:

	Three Years % p.a.	Five Years % p.a.
Return of Fund	3.36	6.01
CPI + 3.5%	5.94	6.15

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 most 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 2020, the value of the Fund decreased in absolute terms to £7.878bn, a decrease of £162 million. The performance of NILGOSC's investment mandates during the year was impacted by the significant market volatility, which in turn impacted on longer term returns, although some mandates maintained positive performance over the year. Overall, it was a poor year for UK equities with performance being negatively affected by Brexit concerns throughout 2019 and then COVID-19 in an extremely poor Q1 2020. The Jupiter Best Ideas mandate was terminated in July 2019 and replaced with a new Jupiter Blended mandate which combines growth and value strategies. The Best Ideas mandate continued to face challenges and returns were behind the index and target across 1 year, 3 year and 5 year periods to the July 2019 termination date, however they did remain just ahead of index but behind target on a since inception basis. Returns from the new Jupiter Blended Mandate have been very poor, with the mandate delivering a return of -31.1% from inception in July 2019 to Q1 2020, which is significantly behind both index and target.

It was also a mixed outcome for NILGOSC's two global equity managers. Baillie Gifford remained NILGOSC's best performing Global Equity manager for the seventh year running, with exceptionally strong outperformance of the FTSE All Share index and target across all timeframes, finishing the year with performance of 16.9%, which is 20.6% ahead of target. Unigestion was appointed at the end of September 2016 and its low volatility style continued to struggle throughout 2019 due to the continued bull market run. Performance improved in Q1 2020 with outperformance of the target in this quarter, demonstrating that the strategy is fulfilling its purpose of providing downside protection, which it hadn't previously had the opportunity to do. Despite this improvement approaching year end, performance over the year lagged the target, but given the nature of the strategy and expected continued market volatility, this mandate is well placed to continue performing positively going into 2020/21. Performance figures are only available on a three year basis which, given the strategy, is considered to be too short a period to provide meaningful analysis.

Property continued to be a good diversifier for the Fund during 2019, but performance was negatively affected by COVID-19 during Q1 2020. The core property portfolio, managed by LaSalle, fell short of both the IPD Quarterly Universe and its target for the year, mainly driven by weaker performing retail assets and the impact of COVID-19 during Q1 2020. The portfolio is fully invested, and LaSalle continues to seek to add value through asset management initiatives. The index-linked portfolio outperformed its RPI benchmark by 2.3% but fell slightly behind target over the year due to COVID-19 in Q1 2020. This portfolio is also fully invested with a mix of assets and remains ahead of its inflation linked target across three and five year timeframes.

As NILGOSC's passive manager, Legal & General has a mandate covering global equities, 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 broadly in line with the various equity indices throughout the year.

NILGOSC's £100m commitment to the M&G UK Residential Property Fund was made in September 2016 and was fully drawn down during 2018/19. During 2019/20 the fund delivered a 2.7% return, comprised of 1.7% income return and 1.0% 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 2019/20 further funds were drawn in respect of existing and new infrastructure fund commitments as shown in the following table:

Fund Name	Committed	Drawn down at 31 March 2020
	Fund Currency	Fund Currency
Antin Infrastructure Fund II (Antin II)	€48,000,000	86%
Antin Infrastructure Fund III (Antin III)	€75,000,000	85%
Antin Infrastructure Fund IV (Antin IV)	€75,000,000	3%
Antin Infrastructure Fund IV Co Investments	€25,000,000	0%
KKR Global Infrastructure Investors Fund II (KKR II)	$60,000,000	95%
KKR Global Infrastructure Investors Fund III (KKR III)	$50,000,000	36%
DIF Infrastructure V (DIF V)	€50,000,000	68%
M&G PRS Fund	£100,000,000	100%
KKR Evergreen Co-Invest II LP	£10,000,000	100%
Coral Projects Investment LP	£7,895,932	100%
Waterloo Place (1) LP	£10,500,000	100%
Waterloo Place (2) LP	£9,012,884	100%
KKR Byzantium Infrastructure Co-Invest II LP	€9,500,000	100%
Flight Co-Invest LP	$20,000,000	87%
Carnot Co-Invest LP	€20,000,000	84%
KKR Starlight Co-Invest GP Limited	€10,000,000	100%
Equitix MA 10 LP*	£7,608,750	100%
Resonance British Wind Energy Income LP*	£9,000,000	100%
Equitix MA 12 LP*	£10,000,000	100%

* New commitments made during 2019/20

The Antin II, Antin III and Antin IV Funds invest primarily in European brownfield infrastructure assets with a focus on the energy and environment, transportation, social and telecommunications sectors. Antin IV commenced drawdowns and investments during 2019/20 whilst Antin II and Antin III are now substantially drawn down and invested. The KKR II and KKR III Funds invest in similar sectors but have exposure to North America and other regions to provide geographic diversification. KKR II is substantially invested whilst KKR III is in the earlier stages of investment. 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 2019/20 to help it identify attractive infrastructure investment opportunities. 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 2020, NILGOSC had made a total of 9 (2018/19: 6) such co-investment infrastructure opportunities with Lothian Pension Fund with a total commitment of £81.3m (2018/19: £75.7m). A further £56.0m (2018/19: £32.6m) is invested in three 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, 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 2020 is shown in the following table:

	UK	North America	Rest of World
Annual General Meetings	30	109	84
Other Meetings	11	1	9
Resolutions	689	1,449	1,094
Votes For Management	565	767	676
Votes Against Management	124	681	418
No Management Recommendation	-	1	-

Note: For passively managed equities, votes are cast by Legal & General 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.

NILGOSC also engages 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. It is hoped that by providing this explanation, the flow of information between companies and their shareholders can be improved. In 2019/20, NILGOSC issued engagement letters to 30 UK companies and 26 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 for Responsible Investment (PRI) since 2007. This global benchmark is applicable across all asset classes and provides a forum for NILGOSC to collaborate with other like-minded investors on engagement initiatives. 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 2019, NILGOSC received its assessment report for the year ended 31 March 2018. The results of this year's assessment were positive with NILGOSC continuing to perform either in line with or ahead of its peers in each of the areas assessed. NILGOSC submitted its latest assessment in March 2020, for the year ended 31 March 2019, and will receive the outcome later in the year. Further detail can be found on the NILGOSC website.

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.

These engagements can often last for several years. 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, which focused on companies whose performance had lagged behind their leading peers in this area in the first phase of the engagement, concluded in February 2020.

Climate Risk

Climate change is a global challenge for governments, corporations and institutional investors alike. NILGOSC acknowledges that the changing climate will have a significant impact on the global economy, corporations and society, whether through direct physical impacts, tighter regulations or reputational damage suffered by those who fail to adequately address the issue of global warming.

NILGOSC considers it to be in the long-term interests of its members to promote climate risk mitigation and adaptation in the implementation of its investment strategy. By working together with like-minded investors, NILGOSC seeks to create an investment environment which contributes to a low carbon economy. 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. This Statement was reviewed and updated in November 2019.

NILGOSC is a signatory to the Global Investor Statement to Governments on Climate Change, the CDP (formerly the Carbon Disclosure Project) and the Climate Action 100+ initiative. The latter is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change and was highlighted as one of 12 key global initiatives to tackle climate change. The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition.

The 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 2020, NILGOSC renewed its commitment to CDP, signing up to their Climate Change, Forests and Water programmes. NILGOSC was also a signatory to CDP's 2019 Non-discloser campaign, which aimed to engage with previously non-disclosing companies. The campaign focused on companies that had never responded or had not responded to the CDP questionnaire in recent years. In March 2020, NILGOSC signed up to the 2020 Non-discloser campaign.

The Global Investor Statement to Governments on Climate Change calls on world governments to achieve the Paris Agreement goals; accelerate private sector investment into the low carbon transition; and to commit to improve climate related financial reporting.

During the year to 31 March 2020, as well as participating in the initiatives listed above, NILGOSC joined the Institutional Investors Group of Climate Change (IIGCC), which is the European membership body for investor collaboration on Climate Change. IIGCC represents over 230 investors with £30tn in assets. With other IIGCC members, NILGOSC signed an open letter to EU leaders ahead of the European Council meeting in December 2019, encouraging them to approve a target to achieve net zero emissions by 2050.

A list of recent Climate Risk related, and other 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]

[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 five years.

Key Financial Information

	2019/20 £'000	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000
Income					
Members contributions and transfers in	318,645	287,224	267,466	268,649	266,808
Investment income	148,974	97,279	110,634	73,915	87,854
Benefits paid					
Retirement pension	(198,821)	(186,314)	(173,067)	(163,836)	(153,362)
Lump sum retirement benefits	(59,525)	(56,408)	(49,711)	(62,177)	(62,400)
Death benefits and leavers	(10,305)	(12,562)	(12,554)	(10,605)	(9,928)
Other expenditure					
Administration expenses	(5,268)	(5,545)	(3,090)	(6,281)	(3,803)
Investment management expenses	(23,580)	(18,472)	(19,823)	(19,267)	(18,304)
Net Assets					
Net Assets	7,877,906	8,039,948	7,549,197	7,082,982	5,820,140
Change in market value of investments	(332,354)	385,094	346,160	1,184,479	(108,278)

Membership Statistics

	2019/20	2018/19	2017/18	2016/17	2015/16
Active members	68,153	61,513	56,727	54,546	53,724
Deferred members	32,316	31,646	30,841	30,853	28,721
Current pensioners of whom:	38,579	36,788	35,019	33,395	31,581
Retired employees	32,752	31,090	29,457	28,026	26,326
Widows/widowers/dependants	5,827	5,698	5,562	5,369	5,255
Total	139,048	129,947	122,587	118,794	114,026

The membership movement reflects the recruitment and retention strategies of Scheme employers and the status of individuals as they move through the lifecycle of pension scheme membership. The increase in 'active' membership in 2019/20 is the result of the update of historic records and contributions for one large employer in 2019/20 rather than a significant increase in recruitment generally.

Member contributions and transfers-in for the year ended 31 March 2020 show an increase on the previous year consistent with the increase in membership, the average 2% increase in pay settlements in 2019/20 and most significantly the increase in the employers' future funding rate up from 18% in 2017/18 and 19% in 2018/19 to 20% in 2019/20. In the 2017/18 year an additional fixed monetary amount payable in respect of deficit recovery was introduced after the 2016 actuarial valuation. 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 between these years was minimal.

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. The strong growth in 2019/20 reflects the full year impact of the strategic move in March 2019 out of equities to absolute return bonds and multi-asset credit mandates which between the four new managers have delivered fixed interest income of £73m.

Retirement pension payments continue to grow in line with 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). There was a drop in VES application activity in 2017/18 and the more recent annual movement in lump sum benefits are indicative of the salary and benefits of the members retiring rather than any material change in the number of members retiring.

Death benefits and payments to leavers cash outflows are not expected to conform to a predictable pattern as the annual figures reflect 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 demand arising from early exit schemes and the GMP Reconciliation exercise. The large increase in 2016/17 included a one-off expense for an employing authority debt write off. When adjusted the 2016/17 administration expenditure figure is £4,348k. Similar employing authority debt adjustments in 2017/18 and 2018/19 resulted in administrative expenditure figures of £4,393k and £4,699k respectively. The 7% increase in 2018/19 was 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. After adjustment for a one-off IAS 19 current service pension cost following the 2019 actuarial valuation the comparable figure for 2019/20 is £4,643k. This slight reduction in administration expenditure, despite the increase in pension costs and staff pay awards, reflects the reduction in the average of FTE staff as the GMP Reconciliation project activity was completed by March 2019 and the Redundancy project team was reduced by 50% at the start of 2019/20.

Investment management expenses vary from year to year as they are based on the market value of investments held. NILGOSC negotiated fee reductions with two of its Fund Managers in 2017/18 which had a full year impact in 2018/19. The underperformance of one of the global equity managers also contributed to the reduction in investment management expenses in 2018/19. The material increase in investment management expenditure in 2019/20 reflects the full year impact of the move from equities to fixed income mandates in March 2019. The new fixed income mandates are more complex and therefore more expensive strategies to manage, a feature which should be viewed alongside the material uplift in investment income generated by these mandates noted above.

David A Murphy

David Murphy
Chief Executive and Secretary
25 August 2020

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 financial statements. 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 9 times per year.

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 of the Environment 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 2019/20:

	Term	Term of Office
Lindsay Todd	First	1 May 2019 - 30 April 2023
Peter Caldwell	Second *	1 Oct 2011 - 30 Sept 2020
Tom Irvine	Second **	1 Mar 2012 – 30 Sept 2020
David Jackson	Second *	1 Oct 2011 - 30 Sept 2020
Peter McMurray	Second *	1 Oct 2011 - 30 Sept 2020
Sharon McQuillan	Second ***	1 July 2012 - 30 Sept 2020
Linda Neilan	Second *	1 Oct 2011 - 30 Sept 2020
Joan McCaffrey	First	1 Mar 2016 - 29 Feb 2020
Mark McBride	First	1 May 2019 - 30 April 2023
Paddy Mackel	First ****	1 May 2019 - 1 May 2020

* Six members reached the end of their second term of office during the year ended 31 March 2020. The four members whose term of office finished on 30 September 2019 were extended by the Department for Communities for a period of six months. Following the expiry of this extension, the Minister for Communities granted a further six month extension to 30 September 2020.

** Tom Irvine reached the end of his term of office on 29 February 2020 and has been granted an extension by the Minister for Communities of seven months to 30 September 2020.

*** Sharon McQuillan was due to reach the end of her term of office on 30 June 2020 and has been granted a three month extension by the Minister for Communities to 30 September 2020.

**** Paddy Mackel resigned from the Committee on 1 May 2020.

CHAIRMAN

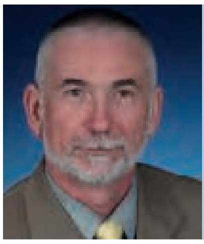
Lindsay Todd OBE has lengthy experience in the pension fund industry and was, until his retirement, a partner in PWC, the professional services firm. He currently serves on the NI Judicial Appointments Commission, for which he receives £338 per day and is a member of the Development Board at Marie Curie NI. He is a member of the Investment Committee at Queen's University Belfast, a member of the Northern Ireland Investment Fund Scrutiny Board and the Disciplinary Panel of the Chartered Accountants' Regulatory Board in Ireland.

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.

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).

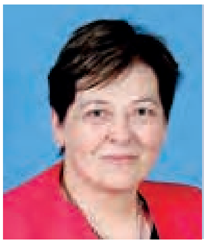
David Jackson MBE is the Chief Executive of Causeway Coast and Glens Borough Council. He was previously the Head of Support Services at Coleraine Borough Council, prior to which he was a senior manager with PricewaterhouseCoopers.



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.

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.



Joan McCaffrey previously held the posts of Director of Corporate Services and Governance at Fermanagh and Omagh District Council and Chief Finance Officer at Omagh District Council. She had responsibility for the management and financial accounting functions as well as a wider corporate governance role during her time as Director. She is a Fellow of the Chartered Institute of Management Accountants.

Mark McBride is a former Head of Finance and Performance at Belfast City Council. He is a Council Member of the Chartered Institute of Public Finance and Accountancy (CIPFA) and a Trustee of the Association of Accounting Technicians (AAT) Pension Scheme. He is experienced in corporate governance, setting and implementing long-term plans and strategies, and supporting a range of stakeholders.

For many years **Paddy Mackel** was a long-term Trade Union Representative for the Northern Ireland Public Service Alliance (NIPSA) and was a Trustee of NIPSA's Pension Scheme up until November 2019. He is a current member of the Northern Ireland Committee of the Irish Congress of Trade Unions and has been President of the Belfast and District Trades Union Council since 2010. He has been a member of the Management Committee of the Belfast Unemployed Resource Centre (BURC) for the past 20 years and has been Treasurer for the last 5 years.

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 of minor data breaches being assessed as reportable.

In the year ended 31 March 2020, four data incidents were assessed as reportable in line with the new guidance and 10 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.

(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 financial statements, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Department 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 financial statements;
- prepare the financial statements 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 financial statements 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 2020

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 2020 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 2019/20

NILGOSC is a non-departmental public body (NDPB) sponsored by the Department for Communities ("the Department"). NILGOSC has worked with the Department during 2019/20 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. Since 1 April 2015, the Management Committee has been 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). On 20 March 2020, the Minister for Communities confirmed this designation for a further period of five years.

A Management Statement (MS) 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 (FM) 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 2020.

On 9 December 2019, the Department of Finance issued DAO (DoF) 05/19 'Partnership Agreement Template', which provides departments and ALBs with a new model 'relationship document' in which to set out the partnership arrangements between an ALB and the Department. The Partnership Agreement template supersedes the MS & FM templates. It was anticipated that tailored Partnership Agreements would be phased in from 1 April 2020 after guidance on Proportionate Autonomy was made available, but it was recognised that this process will take time to fully implement and that "not one size fits all" and progress has been delayed by the impact of COVID-19.

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.

In the absence of a functioning NI Assembly, 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) Regulation 2019. Subsequently, a new Chairperson, an independent member and an employee representative were appointed to the Committee on 1 May 2019. A further recruitment exercise was undertaken in 2019 to fill current and pending vacancies, which resulted in the Ministerial appointment on 1 April 2020 of an independent representative, two employee and two employer representatives. Six-month extensions were also granted to four existing members. One of the employee representative's appointed on 1 May 2019 subsequently resigned from the Committee on 1 April 2020. As of 1 April 2020, the Committee had a full complement and balanced membership in line with statutory requirements.

Details on terms of membership and re-appointments to the Committee during 2019/20 are set out in the Chief Executive's Report on page 58. 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 April, July 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 2019/20. In addition, four ARAC meetings were held during the year. The Staffing Committee met twice in 2019/20. A schedule of membership and attendance for the 2019/20 financial year is shown in the following table.

	Management Committee		Audit & Risk Assurance Committee		Staffing Committee	
	Called	**Present**	**Called**	**Present**	**Called**	**Present**
Lindsay Todd	9	8	-	-	-	-
Peter Caldwell	9	7	-	-	2	-
Tom Irvine	9	9	4	3	-	-
David Jackson	9	9	-	-	2	2
Paddy Mackel	9	6	4	2	-	-
Mark McBride	9	9	4	4	1	1
Joan McCaffrey	9	9	4	3	-	-
Peter McMurray	9	8	-	-	1	1
Sharon McQuillan*	9	5	-	-	2	-
Linda Neilan	9	9	4	4	-	-
Ave.% Attendance		**88%**		**80%**		**50%**

*Member was absent during the year due to ill health.

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 Pension Regulator's *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 15 October 2019 and other training was held during 2019/20. 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 every three years. 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 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 robust system of internal control has been in place in NILGOSC for the year ended 31 March 2020 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 2019/20 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 next strategic review is scheduled for April 2021. 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 2020) 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 2019/20.

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. Any identified breaches were assessed in line with this during 2019/20 but none were considered materially significant, so no breaches were reportable to TPR during the reporting period. In July 2019, TPR confirmed a breach previously reported during 2018/19 was closed due to the satisfactory progress made.

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 for Communities (DfC) approved the 2019/20 pay remit on 10 May 2019.

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 2019/20. 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 2019 and 31 March 2020.

The quarterly risk reviews and subsequent reports provided during 2019/20 resulted in an increase in the score of three risks, two of which were later reduced reverting back to previous scores. These changes to the risk register were approved by the Management Committee. One new risk was added to the risk register during 2019/20.

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 2020/21 was carried out on 28 April 2020. The review included consideration of challenges facing NILGOSC in 2019/20, including the COVID-19 crisis, 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. All existing risks were reviewed, and risk scores amended as appropriate. Following discussion, it was agreed to add an additional operational risk to the risk register in relation to the pending procurement of the pensions administration system due in 2022. The Risk Register 2020/21 contains 50 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 six of which are categorised as key risks due to their associated risk appetite. It is acknowledged that 2020/21 will bring new challenges as NILGOSC tries to manage the impact of the COVID-19 crisis across all aspects of the business. Due to the uncertainty around timescales for easing of lockdown measures and the impact that COVID-19 could have on the achievement of strategic objectives, the SMT considered it was appropriate to develop a separate COVID-19 risk register. Eight new risks were identified, which were evaluated, scored and assigned to risk owners. The COVID-19 risk register will be subject to normal risk management processes.

NILGOSC implemented improvements and made good progress during 2019/20 in addressing those risk issues identified at the beginning of the year, particularly in relation to the completion of the GMP exercise, completion of the workflow project with redesigned workflows put into effect and the completion of its first Discovery project using the Government Digital Service to scope for the future implementation of EDRMS. Looking forward to 2020/21, NILGOSC will have several challenges to manage as detailed above, particularly in light of the COVID-19 crisis. 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 light of the current COVID-19 crisis, the focus of the annual BCP test for 2019/20 was to ensure that NILGOSC can remain operational and provide continuous and essential services in the event of quarantine or lack of access to Templeton House. The tests covered various potential scenarios, including the ability to pay the pensioner payroll remotely, and all tests were successful.

NILGOSC also appoints an external expert to undertake independent penetration tests of its internet facing and other systems within the perimeter network on an annual basis. This is in order to test the robustness of the IT infrastructure in place, including the firewall, to protect NILGOSC's systems from external attack. No significant issues were identified as a result of the tests undertaken in March 2020 with only some minor areas for improvement to be 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 20.

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 2019/20, two cases of suspected fraud, one internal and one external, were identified. Both cases were assessed and reported to the Department in line with NILGOSC's Anti-Fraud Policy. There were no instances of whistleblowing reported during 2019/20.

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 that personal information held by external parties is sent securely and penetration testing is carried out to ensure the security of internal and external connections to NILGOSC systems. Further developments were made during the year to enhance the information security measures in place to protect data, including upgrading the secure email platform, migration of emails from on-premise to Office 365 and steps taken towards achieving Cyber Essentials accreditation.

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. In line with the requirements for a public body, NILGOSC also has a nominated Data Protection Officer who is an accredited GDPR Practitioner.

A number of minor personal data incidents or potential breaches were identified in 2019/20. 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 2019/20 is provided in the Accountability Report on page 61.

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 above. In addition to these, other important areas considered by the Committee during 2019/20 are set out below:

- Selection and appointment of actuarial services
- Sub-Committee appointments and appointment of Deputy Chairperson to Management Committee, appointment of Chairperson to ARAC and appointment of Shadow Chairperson to Staffing Committee
- Funding Strategy Statement
- Selection and appointment of internal audit services

- Appointment of Global Property Manager
- Selection and Appointment of Emerging Market Equity Manager
- Actuarial Valuation
- Revised Meeting Paper Schedule
- Approval of Committee Code of Conduct
- Approval of Delegations of Authority
- Approval of Staffing Committee Terms of Reference
- Approval of Climate Risk Statement
- Approval for the Expenditure of the refurbishment of all Bathrooms at Templeton House
- TPR's Public Service Pension Scheme Governance and Administration Survey
- Cost Transparency report on investment costs
- Admission of two employers to the Scheme
- Approval of print contract extension
- Impact of COVID-19 specifically on risk and governance and TPR guidance
- Appointment of Investment Advisors

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 2019/20 are set out in its Annual Report, which is provided on pages 121 to 123 of this report.

The ARAC undertakes an annual review of its effectiveness. The review undertaken for 2019/20 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 2019/20 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.

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
- 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. In May 2019, the Internal Auditor conducted an external Board Effectiveness Review. As a result, recommendations were made, one of which was in relation to the volume of papers provided. This was discussed by the Committee at a workshop on 27 August 2019 where the Committee reviewed the content and frequency of a range of meeting papers. On 19 November 2019, the Management Committee agreed to the changes made to the meeting paper schedule and the papers they receive. During its review of effectiveness in 2019/20, all the Committee members agreed that meeting papers are concise, timely, relevant, and focused on priorities. It was noted that improvements had been made following Internal Audit's review and the recommendation had been actioned accordingly. All Committee Members also agreed that they are provided with key Scheme and corporate documents and have a working knowledge of these.

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 in 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 2020, 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 122. 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 2020.

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 2019/20 demonstrated that ASM met or exceeded 13 of the 15 agreed KPI targets, which equates to 87%, demonstrating good performance for the period.

7.5 External Audit

As a non-departmental public body, NILGOSC is required by statute to use the NIAO for the provision of its external audit service. The Local Government Auditor issued an unqualified audit opinion for the year ended 31 March 2019.

The audit opinion for the year ended 31 March 2020 is included on pages 78 to 79.

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 2020 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 2019/20 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

David Murphy
Chief Executive and Secretary
25 August 2020

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)

	2019/20				2018/19			
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	-	30,894	120,001-125,000	90,001-95,000	-	25,854	115,001-120,000
Nicola Todd Deputy Secretary	80,001-85,000	-	33,331	115,001-120,000	75,001-80,000	-	29,781	105,001-110,000
Band of Highest Paid Employee's Total Remuneration	£90,001-£95,000				£90,001-£95,000			
Median Total Remuneration	£23,836				£23,111			
Ratio	3.88				4.00			
Range of Staff Remuneration	£18,000 – £92,500				£17,000 – £92,500			

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). Inflation is included in the real increase in pension benefits accrued during 2019/20. The CPI increase for September 2019 was 1.9%. The in-service revaluation rate for CARE was also 1.7%.

The Chair is the only Committee member in receipt of an emolument, which is a non-pensionable salary. The Deputy Chair undertook the Chair's duties until the new Chair was appointed on 1 May 2019.

	2019/20		2018/19	
Chairman	**Salary**	**Benefits in Kind**	**Salary**	**Benefits in Kind**
	£	**£**	**£**	**£**
Trevor Salmon	-	-	10,185	-
Tom Irvine	1,154	-	3,395	-
Lindsay Todd	12,697	-	-	-

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 2019/20 was £90,001-£95,000 (2018/19, £90,001-£95,000). This was 3.88 times (2018/19, 4.00) the median remuneration of the workforce, which was £23,836 (2018/19, £23,111).

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 3.88 for 2019/20 has reduced from 2018/19 as the NJC pay award percentage increase for 2019/20 was higher for the lowest paid employees and as a result has reduced 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 2019/20 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. The meeting fee allowance increased from £123 to £250 from 1 October 2019. Details of those members who received an allowance are shown below.

	2019/20	2018/19
Committee Members	**£**	**£**
Joseph Donaghy*	-	1,452
Bumper Graham*	-	1,089
Celine McCartan*	-	968
Peter McMurray	2,611	1,694
Linda Neilan	3,107	2,904
Peter Caldwell	2,861	1,936
David Jackson	1,992	847
Tom Irvine**	4,353	2,178
Sharon McQuillan***	1,730	2,420
Lindsay Todd ****	123	2,662
Joan McCaffrey	4,107	2,299
Mark McBride	4,611	-
Paddy Mackel	2,615	-

* Term of appointment ended 31 December 2018
** Excludes payment for undertaking Chairman's duties from 1 - 30 April 2019
*** Member was absent during the year due to ill health
**** Appointed as Chair May 2019

Pension Benefits (audited)

Officers	Accrued Pension and Related Lump Sum at Age 65 as at 31/03/20	Real Increase in Pension and Related Lump Sum at Age 65	CETV at 31/03/20	CETV at 31/03/19	Real Increase in CETV
	£	£	£	£	£
David Murphy Chief Executive and Secretary	35,001-40,000 plus lump sum of 50,001-55,000	0-2,500 plus lump sum of 0-2,500	629,000	580,000	29,000
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	313,000	279,000	22,000

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 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	2019/20 Total £'000	2018/19 Total £'000
Wages and salaries	2,049	167	2,216	2,217
Social security costs	183	12	195	181
Other pension costs	1,055	25	1,080	673
Total	3,287	204	3,491	3,071

Average number of persons employed

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

	Permanently employed staff	Others	2019/20 Total	2018/19 Total
Directly employed	70	7	77	82
Total	70	7	77	82

The decrease in the average number of whole-time equivalent persons employed during the year is mainly as a result of the end of fixed term contracts for employees working in the GMP Reconciliation and the Public Sector redundancy teams projects. The former project finished in March 2019 with the latter completing in early 2020.

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 2019/20, employers' contributions were payable to the NILGOSC Scheme at 20% of pensionable pay.

The Scheme's actuary reviews employer contributions every three years following a full scheme valuation. A valuation was completed during 2019/20 and the contributions to be paid until 31 March 2023 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 2019.

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 2020 and 31 March 2019 on a whole-time equivalent basis is as follows:

	31/3/20 Male	31/3/20 Female	31/3/20 Total	31/3/19 Male	31/3/19 Female	31/3/19 Total
Secretariat	1	1	2	1	1	2
Senior Managers	-	5	5	-	5	5
All Other Employees	30	40	70	31	39	70
Total	31	46	77	32	45	77

Sickness Absence

The average number of days lost to sickness absence by all staff in 2019/20 was 6.2 days (2018/19 – 4.4 days).

Equality and Diversity

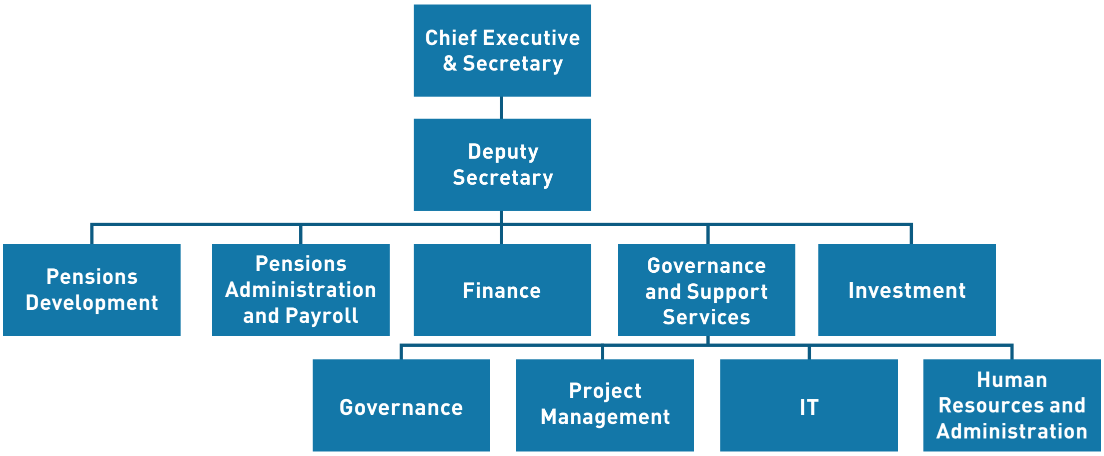
It is the policy of NILGOSC to ensure that equality of opportunity is provided to all employees and those seeking employment. A welcome statement is used on recruitment advertising to encourage recruitment from a diverse range of applicants and from groups under-represented in the workforce; and full and fair consideration is given to all applicants, including disabled applicants. 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 2019/20 (2018/19: nil).

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 following chart.



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 2019/20 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 2019/20 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 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 £6,896. This figure reflects pensioner overpayments as a result of death which are not considered recoverable.

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 2019/20 (2018/19: nil).

(IV) REMOTE CONTINGENT LIABILITIES (AUDITED)

In addition to contingent liabilities reported within the meaning of IAS 37 (see Note 22 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 2020 (2018/19: no remote contingent liabilities).

David Murphy
Chief Executive and Secretary
25 August 2020

ACCOUNTABILITY REPORT

AUDIT REPORT

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 2020 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 including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report, Staff Report and Assembly Accountability Report described in those reports as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the NILGOSC's affairs as at 31 March 2020 and of the net decrease 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.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- NILGOSC's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- NILGOSC have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about NILGOSC's ability to continue to adopt the going concern basis.

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 Report, 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 Report, 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 DfC directions issued thereunder; and

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

Statement about contributions payable

In my opinion the contributions payable to NILGOSC during the year ended 31 March 2020 have in all material respects been paid in accordance with the rules of the Scheme and with the recommendations of the actuary.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer 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 the financial statements in accordance with the Local Government Pension Scheme Regulations (Northern Ireland) 2014.

My objectives are 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

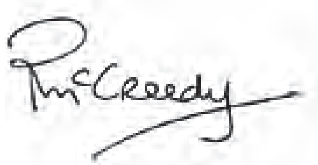
- the financial statements and the parts of the Remuneration Report, Staff Report and Assembly Accountability Report to be audited are not in agreement with the accounting records; or

- 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

8th September 2020

FINANCIAL STATEMENTS

FUND ACCOUNT
YEAR ENDED 31 MARCH 2020

	Note	2019/20 £'000	2018/19 £'000
Contributions and benefits			
Contributions receivable	4	**306,588**	276,796
Transfers in		**12,057**	10,428
		318,645	287,224
Benefits	5	**(264,288)**	(250,115)
Payments to and on account of leavers	6	**(4,363)**	(5,169)
Administration expenses	7	**(5,268)**	(5,545)
		(273,919)	(260,829)
Net additions from dealings with members		**44,726**	26,395
Return on investments			
Investment income	8	**148,974**	97,279
Change in market value of financial investments	9	**(294,035)**	384,528
(Losses)/gains arising from changes in fair values of investment properties	10	**(38,319)**	565
Investment management expenses	11	**(23,580)**	(18,472)
Net return on investments		**(206,960)**	463,900
Net (decrease)/increase in the Scheme during the year		**(162,234)**	490,295
Remeasurement gains on the retirement benefit obligation	18	**192**	456
		192	456
Opening net assets of the Scheme		**8,039,948**	7,549,197
Closing net assets of the Scheme		**7,877,906**	8,039,948

The notes on pages 85 to 114 form part of these financial statements.

NET ASSETS STATEMENT
AS AT 31 MARCH 2020

	Note	2019/20 £'000	2018/19 £'000
Non-current assets			
Financial assets	9	**7,122,427**	7,253,341
Investment properties	10	**725,465**	767,710
Intangible assets	12	**139**	192
Property, plant and equipment	13	**1,267**	1,381
Revaluation reserve	14	**(77)**	(226)
Total non-current assets		**7,849,221**	8,022,398
Current assets			
Trade and other receivables	15	**44,656**	37,601
Cash and cash equivalents	16	**13,683**	6,280
Total current assets		**58,339**	43,881
Total assets		**7,907,560**	8,066,279
Current liabilities			
Trade and other payables	17	**(24,453)**	(21,675)
Total current liabilities		**(24,453)**	(21,675)
Non-current assets plus net current assets		**7,883,107**	8,044,604
Non-current liabilities			
Retirement benefit obligations	18	**(5,201)**	(4,656)
Total non-current liabilities		**(5,201)**	(4,656)
Total net assets of the Scheme		**7,877,906**	8,039,948

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 20 and the Actuarial Statement on pages 115 to 117 and these financial statements should be read in conjunction with it.

The notes on pages 85 to 114 form part of these financial statements.

David Murphy
Secretary
25 August 2020

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	2019/20 £'000		2018/19 £'000	
Cash flows from operating activities				
Net (decrease)/increase in the Scheme during the year	**(162,234)**		490,295	
Adjustments for non-cash transactions				
Change in market value of investments and losses/(gains) arising from changes in fair value of investment properties	**332,354**		(385,093)	
Depreciation/amortisation	**185**		156	
IAS 19 pension cost less contributions payable	**737**		370	
Adjustment for movements in working capital				
(Increase)/decrease in trade and other receivables	**(7,055)**		25,290	
Increase/(decrease) in trade and other payables	**2,778**		(1,306)	
Net cash inflow from operating activities		**166,765**		129,712
Cash flows from investing activities				
Purchase of property, plant & equipment and intangible assets	**(167)**		(139)	
Purchase of investment properties	**(3,043)**		(22,691)	
Purchase of investment assets	**(17,436,448)**		(4,674,937)	
Proceeds of disposal of property, plant & equipment and intangible assets	**-**		3	
Proceeds of disposal of investment properties	**6,969**		12,046	
Proceeds of disposal of investment assets	**17,273,327**		4,498,559	
Net cash outflow from investing activities		**(159,362)**		(187,159)
Net (decrease)/increase in cash and cash equivalents		**7,403**		(57,447)
Cash and cash equivalents at the beginning of the year		**6,280**		63,727
Cash and cash equivalents at the end of the year		**13,683**		6,280

The notes on pages 85 to 114 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 2019/20 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.

The financial statements are prepared on an accruals basis.

1.2 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 are 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 financial statements 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 financial statements (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 income and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.

2.6 Investment income (continued)

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. There were no performance related fees in 2019/20.

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 income 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 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.

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

(i) *Recognition and initial measurement*

Financial assets and liabilities at Fair Value Through Profit/Loss (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) *Classification*

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.

(iii) *Subsequent measurement*

Subsequent measurement details are set out in the following table.

2.15 Financial instruments (continued)

Financial assets at fair value	Net gains and losses, including any interest or dividend income and expense and foreign exchange gains and losses are subsequently measured at fair value. 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) Impairment

Loss allowances for Expected Credit Losses (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.

(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.

2.17 Retirement benefit obligations (continued)

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's 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 financial statements 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 20 on page 112 and the Actuarial Statement on pages 115 to 117. The actuarial present value of promised retirement benefits, valued on a basis consistent with IAS 19, is disclosed in Note 20 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.

The outbreak of the Novel Coronavirus (COVID-19), declared by the WHO as a "Global Pandemic" on the 11 March 2020, has impacted global financial markets. This event has resulted in greater than usual uncertainty on estimates for investments which aren't publicly listed and those reliant on evidence from market activity, such as property valuations. As at the valuation date, the Fund can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Management has considered all information currently available, including the exposure of underlying assets and sensitivity of valuations to COVID-19, and concluded that the valuations provided by third party experts as at 31 March 2020 are appropriate for financial statement purposes.

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.

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.

2.19 Use of estimates and judgements (continued)

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 2020/21. 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 with FReM application in 2020/21): 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 2020/21): These amendments clarify the definition of 'material' and its application and are not expected to result in any significant changes to NILGOSC 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 82 and the Net Assets Statement on page 83.

4. Contributions receivable

		2019/20 £'000	2018/19 £'000
Employers			
	normal	**211,421**	186,251
	deficit recovery	**18,493**	18,590
	early retirement funding *	**11,509**	10,075
	special contributions **	**30**	1,374
Employees			
	normal	**65,135**	60,506
		306,588	276,796

* 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. In 2018/19 this figure included cessation debt write-offs.

5. Benefits

	2019/20 £'000	2018/19 £'000
Pensions *	**198,821**	186,314
Commutations and lump sum retirement benefits	**59,525**	56,408
Lump sum death benefits	**5,942**	7,393
	264,288	250,115

* In addition, £4.185m of agency and compensation pensions were paid on an agency basis and recharged to employing authorities (2018/19:£4.255m). 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

	2019/20 £'000	2018/19 £'000
Refund to members leaving service	**984**	1,340
Payment for members joining state scheme	**(5)**	(10)
Transfers to other schemes	**3,384**	3,839
	4,363	5,169

7. Administration expenses

	2019/20 £'000	2018/19 £'000
Staff costs	**3,491**	3,071
Office overheads	**760**	663
Depreciation and amortisation (notes 12 & 13)	**185**	156
Communication	**223**	258
Other administration	**169**	157
Actuarial fees	**96**	89
Internal audit fees	**27**	30
External audit fees	**33**	25
Legal and other professional fees	**82**	67
Medical fees	**91**	65
IAS19 net interest cost (note 18)	**111**	118
Movement in provision in respect of employing authority debt	**-**	846
	5,268	5,545

8. Investment income

	2019/20 £'000	2018/19 £'000
Interest income from fixed income securities	**73,113**	7,773
Dividends from equities	**29,887**	46,337
Index linked securities	**996**	(7)
Derivatives *	**(2,078)**	-
Pooled investment vehicles	**1,947**	2,175
Infrastructure/private equity investment distributions	**2,758**	2,488
Net rents from properties	**36,932**	35,715
Interest on deposits	**3,543**	832
Stock lending income	**2,390**	2,318
Other income	**39**	60
	149,527	97,691
Irrecoverable withholding tax	**(553)**	(412)
Total Investment Income	**148,974**	97,279

* Derivative instruments generate cash flows, either positive or negative, depending on the direction of the trade. Income from derivatives is the net cash flow position for the year.

8. Investment Income (continued)

Stock lending

The Fund's securities lending programme continued during the year ended 31 March 2020. 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; and
(iii) Collateral comprises mainly of UK and overseas equity and Government debt.

As at 31 March 2020, there were securities amounting to £303,161,997 on loan against collateral of £328,696,500 (2018/19: securities amounting to £176,970,386 were on loan against collateral of £189,217,399).

9. Financial assets

Movement in investments and derivatives

	Value at 01 04 2019 £' 000	Purchases at cost £' 000	Sales proceeds £' 000	Change in market value £' 000	Value at 31 03 2020 £' 000
Fixed interest securities	1,795,691	12,577,478	(12,558,457)	(47,527)	**1,767,185**
Equities	1,445,917	766,153	(747,604)	(69,121)	**1,395,345**
Index-linked securities	212,278	2,597,695	(2,606,572)	20,343	**223,744**
Pooled investment vehicles	3,263,990	802,564	(821,345)	(136,027)	**3,109,182**
Derivative contracts	(17,409)	545,086	(508,741)	(101,475)	**(82,539)**
Infrastructure/Private Equity	252,532	67,542	(30,608)	29,520	**318,986**
	6,952,999	17,356,518	(17,273,327)	(304,287)	**6,731,903**
Other investment balances:					
Cash deposits	277,229	80,756 *	-	10,252	**368,237**
Investment income due	23,113	(826)*	-	-	**22,287**
Net financial assets	**7,253,341**	**17,436,448**	**(17,273,327)**	**(294,035)**	**7,122,427**

*Net movement (inclusive of cash deposits made in foreign currencies)

In the preceding table, 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 income 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.

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. The £10,252k change in market value in respect of cash deposits reflects foreign exchange gains/losses on foreign currency cash.

The cash deposits held at 31 March 2020 include £119.1m ringfenced as collateral in relation to derivative contracts (31 March 2019: £17.3m).

9. Financial assets (continued)

Financial assets and liabilities

	2019/20 £'000	2018/19 £'000
Financial assets at fair value through profit or loss		
Fixed income securities	**1,767,185**	1,795,691
Equities	**1,395,345**	1,445,917
Index linked securities	**223,744**	212,278
Pooled investment vehicles	**3,109,182**	3,263,990
Derivative contracts:		
Futures	**10,983**	195
Swap contracts	**29,787**	7,681
Options	**5,595**	2,154
Forward currency contracts	**50,280**	5,299
Private equity/infrastructure	**318,986**	252,532
Cash deposits	**368,237**	277,229
Investment income due	**22,287**	23,113
Total financial assets	**7,301,611**	7,286,079
Financial liabilities at fair value through profit or loss		
Derivative contracts:		
Futures	**(5,119)**	(1,516)
Swap contracts	**(49,958)**	(10,622)
Options	**(7,309)**	(108)
Forward currency contracts	**(116,798)**	(20,492)
Total financial liabilities	**(179,184)**	(32,738)
Net financial assets	**7,122,427**	7,253,341

9. Financial assets (continued)

Analysis of financial assets

	2019/20 £'000	2018/19 £'000
Fixed income securities		
UK public sector	**37,715**	162,108
UK corporate	**182,690**	119,461
Overseas public sector	**529,352**	836,253
Overseas corporate	**1,017,428**	677,869
	1,767,185	1,795,691
Equities		
UK quoted	**246,389**	418,248
Overseas quoted	**1,148,956**	1,027,669
	1,395,345	1,445,917
Index-linked securities		
UK	**58,770**	-
Overseas	**164,974**	212,278
	223,744	212,278
Pooled investment vehicles		
Residential Property Fund	**104,050**	101,153
Unit trusts	**3,002,104**	3,161,159
Other	**3,028**	1,678
	3,109,182	3,263,990
Derivative contracts		
Futures	**5,864**	(1,321)
Swap contracts	**(20,171)**	(2,941)
Options	**(1,714)**	2,046
Forward foreign exchange contracts	**(66,518)**	(15,193)
	(82,539)	(17,409)
Infrastructure/Private Equity		
UK Private Equity	**150**	150
Global Infrastructure	**318,836**	252,382
	318,986	252,532

Derivatives holdings have increased as at 31 March 2020 as a result of the new specialist fixed income mandates, which were funded in March 2019, being fully established.

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 2020, totalling £119.1m, 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 2020 £'000	Exposure £'000	Market Value 31 March 2019 £'000
Assets					
UK Fixed Income Futures	Under one year	**43,036**	**625**		
Overseas Fixed Income Futures	Under one year	**274,662**	**10,358**	(240,544)	195
Liabilities					
UK Fixed Income Futures	Under one year	**43,036**	**(93)**		
Overseas Fixed Income Futures	Under one year	**274,662**	**(5,026)**	(240,544)	(1,516)
Net futures			**5,864**		(1,321)

(ii) Swap contracts

Expiration	Notional Principal £'000	Market Value 31 March 2020 £'000	Notional Principal £'000	Market Value 31 March 2019 £'000
Assets				
Up to 1 year	**160,871**	**1,245**		
1 to 5 years	**217,137**	**14,136**	133,080	189
5 to 10 years	**(205,241)**	**6,875**	302,929	4,644
10 to 15 years	**1,167**	**7**	92,153	2,485
15 to 20 years	**13,000**	**591**	-	-
Over 20 years	**76,206**	**6,933**	51,357	363
Total assets		**29,787**		7,681
Liabilities				
Up to 1 year	**160,871**	**(3,138)**	-	-
1 to 5 years	**217,137**	**(28,274)**	133,080	(106)
5 to 10 years	**(205,241)**	**(9,022)**	302,929	(9,985)
10 to 15 years	**1,167**	**(7)**	92,153	(239)
15 to 20 years	**13,000**	**(591)**	-	-
Over 20 years	**76,206**	**(8,926)**	51,357	(292)
Total liabilities		**(49,958)**		(10,622)
Net Swap Contracts		**(20,171)**		(2,941)

Nature of swap	Notional Principal £'000	Market Value 31 March 2020 £'000	Notional Principal £'000	Market Value 31 March 2019 £'000
Assets				
Interest rate swaps	**542,340**	**9,184**	276,590	2,761
Credit default swaps	**(681,979)**	**15,824**	181,698	4,881
Inflation swaps	**234,925**	**3,535**	122,232	39
Other swaps	**167,853**	**1,244**		
Total assets		**29,787**		7,681

9. Financial assets (continued)

(ii) Swap contracts (continued)

	Notional Principal £'000	Market Value 31 March 2020 £'000	Notional Principal £'000	Market Value 31 March 2019 £'000
Liabilities				
Interest rate swaps	**542,340**	**(14,693)**	276,590	(1,044)
Credit default swaps	**(681,979)**	**(26,759)**	181,698	(9,526)
Inflation swaps	**234,925**	**(5,565)**	122,232	(52)
Other swaps	**167,853**	**(2,941)**		
Total liabilities		**(49,958)**		(10,622)
Net swap contracts		**(20,171)**		(2,941)

(iii) Options

Investment underlying option contract	Market Value 31 March 2020 £'000	Market Value 31 March 2019 £'000
Assets		
Overseas equity	**5,595**	732
Overseas fixed interest	**-**	704
Overseas cash	**-**	648
Swaptions	**-**	70
Total assets	**5,595**	2,154
	Market Value 31 March 2020 £'000	Market Value 31 March 2019 £'000
Liabilities		
Overseas equity	**(4,799)**	-
Overseas fixed interest	**-**	(23)
Overseas cash	**-**	-
Swaptions	**(2,510)**	(85)
Total liabilities	**(7,309)**	(108)
Net options	**(1,714)**	2,046

Type of contract	Market Value 31 March 2020 £'000	Market Value 31 March 2019 £'000
Assets		
Call options	**2**	995
Put options	**5,593**	1,159
Total assets	**5,595**	2,154
	Market Value 31 March 2020 £'000	Market Value 31 March 2019 £'000
Liabilities		
Call options	**(2,510)**	(13)
Put options	**(4,799)**	(95)
Total liabilities	**(7,309)**	(108)
Net options	**(1,714)**	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
69	EUR	105,23	GBP	(104,685)	**1,589**	**(1,037)**	**552**
3	EUR	2,825	OTHER	(2,666)	**159**	**-**	**159**
16	EUR	74,365	USD	(74,835)	**333**	**(803)**	**(470)**
44	GBP	266,716	EUR	(277,883)	**1,229**	**(12,395)**	**(11,166)**
2	GBP	59,833	JPY	(59,435)	**402**	**(4)**	**398**
120	GBP	100,322	OTHER	(98,434)	**3,658**	**(1,770)**	**1,888**
97	GBP	2,285,173	USD	(2,344,875)	**10,017**	**(69,719)**	**(59,702)**
10	JPY	82,943	USD	(82,600)	**430**	**(87)**	**343**
4	OTHER	2,624	EUR	(2,794)	**3**	**(173)**	**(170)**
103	OTHER	88,923	GBP	(92,653)	**961**	**(4,692)**	**(3,731)**
127	OTHER	364,704	USD	(381,091)	**1,770**	**(18,157)**	**(16,387)**
14	USD	346,190	EUR	(346,559)	**360**	**(729)**	**(369)**
97	USD	557,204	GBP	(559,408)	**3,395**	**(5,599)**	**(2,204)**
8	USD	70,632	JPY	(71,314)	**89**	**(772)**	**(683)**
147	USD	541,734	OTHER	(516,710)	**25,885**	**(861)**	**25,024**
Total					**50,280**	**(116,798)**	**(66,518)**

UK Leaving the European Union

NILGOSC holds £1,424m (converted at exchange rate at 31 March 2020) 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 final term of the negotiating period to 31 December 2020. 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 2020 £'000	% of Total Fund	Market Value 31 March 2019 £'000	% of Total Fund
Legal & General – Over 5y Index-Link Gilts	1,188,002	15.08%	1,160,154	14.43%

Employer-Related Investments

The Scheme had no employer-related investments as at 31 March 2020 or 31 March 2019.

9. Financial assets (continued)

AVC Investments

NILGOSC provides an Additional Voluntary Contribution (AVC) Scheme for its members with two AVC providers, Utmost Life and Pensions Limited (Policy transferred 1 January 2020 from 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.

			2019/20			2018/19
	Utmost Life £'000	**Prudential £'000**	**Total £'000**	Equitable Life £' 000	Prudential £' 000	Total £' 000
Value at start of year	**237**	**26,236**	**26,473**	276	25,043	25,319
Contributions invested	**1**	**12,497**	**12,498**	2	6,715	6,717
Sales of investments	**(47)**	**(13,157)**	**(13,204)**	(50)	(6,216)	(6,266)
Change in market value	**13**	**(641)**	**(628)**	9	694	703
Value at end of year	**204**	**24,935**	**25,139**	237	26,236	26,473

10. Investment property

	2019/20 £'000	2018/19 £' 000
Fair Value		
At start of year	**767,710**	756,500
Additions	**3,043**	22,691
Sales	**(6,969)**	(12,046)
(Losses)/gains arising from changes in fair values	**(38,319)**	565
At end of year	**725,465**	767,710

The investment properties were valued as at 31 March 2020 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 are typically 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. A discounted cash flow model is adopted, the key inputs being rent rolls, applicable yield rates with the valuation informed by prevailing market activity, where available.

Following the outbreak of the Novel Coronavirus (COVID-19), declared a pandemic by WHO on 11 March 2020, the impact on global financial markets and travel restrictions in many countries has prompted the RICS to issue a note for their members to accompany valuations provided as at 31 March 2020:

10. Investment property (continued)

"Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of properties in the Main & RPI portfolio under frequent review."

RICS points out that where a material uncertainty clause is included in a valuation, it is done so as a disclosure and not a disclaimer. It clarifies the interpretation of the unprecedented disclosure notice:

"Where a material uncertainty clause is being used, its purpose is to ensure that any client relying upon that specific valuation report understands that it has been prepared under extraordinary circumstances.

The term is not meant to suggest that the valuation cannot be relied upon; rather, it is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. Indeed, with regard to the process itself, professional valuers will almost certainly have undertaken far more due diligence than normal, in order to arrive at their estimate of value."

Management has considered all information currently available, including the exposure of underlying assets and sensitivity of valuations to COVID-19, and concluded that the valuations provided by third party experts as at 31 March 2020 are appropriate for financial statement purposes.

Management also notes that the material uncertainty clause has been removed for valuations of the Fund's properties in the food retail, industrial and office sectors at 30 June 2020.

NILGOSC received net rental income of £36.9m (2018/19: £35.7m) 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.

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

	2019/20 £'000	2018/19 £'000
Not later than one year	**37,002**	36,031
Later than one year and not later than five years	**128,277**	114,190
Later than five years	**216,908**	192,807
	382,187	343,028

11. Investment management expenses

	2019/20 £'000	2018/19 £'000
Administration, management and custody	**20,649**	15,073
Performance measurement services	**38**	31
Other advisory fees	**354**	422
Transaction costs and trading expenses	**2,539**	2,946
	23,580	18,472

11. Investment management expenses (continued)

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.

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 2019	**730**
Additions	**30**
Disposals	**(28)**
At 31 March 2020	**732**
Amortisation	
At 1 April 2019	**538**
Charge for the year	**83**
Amortisation on disposals	**(28)**
At 31 March 2020	**593**
Net book value	
At 31 March 2019	**192**
At 31 March 2020	**139**

	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 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 2019	1,300	414	-	**1,714**
Revaluation	(201)	-	-	**(201)**
Additions	101	36	-	**137**
Disposals	-	(24)	-	**(24)**
At 31 March 2020	**1,200**	**426**	**-**	**1,626**
Depreciation				
At 1 April 2019	-	333	-	**333**
Charge for the year	52	50	-	**102**
Revaluation Adjustment	(52)	-	-	**(52)**
Depreciation on disposals	-	(24)	-	**(24)**
At 31 March 2020	**-**	**359**	**-**	**359**
Net book value				
At 31 March 2019	1,300	81	-	**1,381**
At 31 March 2020	**1,200**	**67**	**-**	**1,267**
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)

The property was valued as at 31 March 2020 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.

In the wake of the COVID-19 pandemic the same caution should be applied to the property asset valuation as disclosed in detail in note 10 Investment Property.

14. Revaluation reserve

	2019/20 £'000	2018/19 £'000
At 1 April 2019	**(226)**	(197)
Revaluation during the year	**149**	(52)
Refurbishment disposal	**-**	23
At 31 March 2020	**(77)**	(226)

In 2019/20 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 2020.

15. Trade and other receivables

	2019/20 £'000	2018/19 £'000
Receivables and other current assets *	**23,377**	17,031
VAT and other receivables	**3**	-
Less: Provision for impairment of receivables	**(1,378)**	(1,064)
Receivables and other current assets-net	**22,002**	15,967
Pension contributions due **	**18,198**	17,688
Prepayments and accrued income	**4,456**	3,946
	44,656	37,601

* Receivables and other current assets include rental debt.

** All contributions due to the Scheme relate to the month of March 2020 and were paid in full to the Scheme within the timescale required by the Local Government Pension Scheme Regulations (Northern Ireland) 2014.

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.

	2019/20 £'000	2018/19 £'000
At 1 April	**6,280**	63,727
Net change in cash balances	**7,403**	(57,447)
	13,683	6,280
The following balances at 31 March were held at:		
Commercial banks and cash in hand	**13,683**	6,280
Investment cash	**-**	-
	13,683	6,280

17. Trade and other payables

	2019/20 £'000	2018/19 £'000
Trade payables and other current liabilities	**12**	167
Unpaid benefits	**8,576**	6,257
Social security and other taxes	**2,423**	2,723
Accruals and deferred income	**13,442**	12,528
	24,453	21,675

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), LGPS (NI), 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 LGPS (NI) requires that the employer and its employees 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 2019 and the contributions to be paid until 31 March 2023 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 2019.

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 2020 NILGOSC, in its capacity as a participating employer, had 81 active members (2018/19:78), 64 deferred members (2018/19:65) and 24 pensioners (2018/19:22) in the scheme.

18. Retirement benefit obligations (continued)

Net defined benefit liability

	2019/20 £'000	2018/19 £'000
Fair value of assets	**13,019**	12,521
Present value of funded defined benefit obligation	**(18,220)**	(17,177)
Net defined benefit liability	**(5,201)**	(4,656)

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

Active members	**51%**
Deferred pensioners	**20%**
Pensioners	**29%**

The estimated duration of the Fund's liabilities is 23.0 years.

Financial assumptions

A full actuarial valuation of the NILGOSC defined benefit scheme was carried out as at 31 March 2019. 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 2020. 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 20.

	2019/20 %	2018/19 %
Rate of increases in salaries	**3.4**	3.6
Discount rate	**2.3**	2.5
Inflation (CPI) / Pension increase rate	**1.9**	2.1

Demographic assumptions

The mortality assumptions at the accounting date have been set taking account of actual mortality experience of members within the Fund based on analysis carried out as part of the 2019 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown in the following table:

	2019/20 Years	2018/19 Years
Retiring today:		
Males	**21.8**	22.6
Females	**25.0**	24.9
Retiring in 20 years:		
Males	**23.2**	24.3
Females	**26.4**	26.7

18. Retirement benefit obligations (continued)

The next funding valuation of the Scheme is due to be carried out as at 31 March 2022.

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

	2019/20 %	2018/19 %
Equities	**42.6**	59.5
Bonds	**38.7**	23.5
Property	**10.0**	11.2
Cash	**4.7**	2.7
Other	**4.0**	3.1

Analysis of amounts recognised in the Fund Account

	2019/20 £'000	2018/19 £' 000
Operating cost		
Current service cost	**812**	673
Past service cost	**267**	-
Total	**1,079**	673
Finance cost		
Interest on net defined benefit liability	**111**	118
Total	**111**	118

Remeasurement gains and losses

	2019/20 £'000	2018/19 £' 000
Return on plan assets in excess of that recognised in net interest	**59**	(530)
Actuarial losses due to change in financial assumptions	**14**	762
Actuarial gains due to changes in demographic assumptions	**(589)**	(717)
Actuarial losses due to liability experience	**324**	29
Net gain	**(192)**	(456)

18. Retirement benefit obligations (continued)

Scheme assets

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

	2019/20 £'000	2018/19 £' 000
Fair value of scheme assets at start of year	**12,521**	11,366
Interest income on assets	**316**	300
Contributions by members	**141**	138
Contributions by the employer	**453**	421
Benefits paid	**(353)**	(234)
Re-measurement (losses)/gains on assets	**(59)**	530
Fair value of scheme assets at end of year	**13,019**	12,521

The actual return on assets is as follows:

	2019/20 £'000	2018/19 £' 000
Interest income on assets	**316**	300
Re-measurement (loss)/gain on assets	**(59)**	530
Actual return on assets	**257**	830

Present value of defined benefit obligation

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

	2019/20 £'000	2018/19 £' 000
Present value of obligations at start of year	**17,177**	16,108
Current service cost	**812**	673
Interest cost	**427**	418
Contributions by members	**141**	138
Benefits paid	**(353)**	(234)
Actuarial losses on liabilities – change in financial assumptions	**14**	762
Actuarial gains on liabilities – change in demographic assumptions	**(589)**	(717)
Past service cost	**267**	-
Actuarial losses on liabilities – experience	**324**	29
Present value of obligation at end of year	**18,220**	17,177

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 2020 and 31 March 2019. In each case only the assumption stated is altered; all other assumptions remain the same.

18. Retirement benefit obligations (continued)

Discount rate assumption

	31 March 2020		31 March 2019	
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)	**17,806**	**18,644**	16,798	17,564
% change in present value of total obligation	**-2.3%**	**2.3%**	-2.2%	2.3%
Projected service cost (£000's)	**771**	**835**	680	727
Approximate % change in projected service cost	**-3.9%**	**4.1%**	-3.3%	3.4%

Rate of general increase in salaries

	31 March 2020		31 March 2019	
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)	**18,309**	**18,132**	17,286	17,069
% change in present value of total obligation	**0.5%**	**-0.5%**	0.6%	-0.6%
Projected service cost (£000's)	**802**	**802**	703	703
Approximate % change in projected service cost	**0.0%**	**0.0%**	0.0%	0.0%

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

	31 March 2020		31 March 2019	
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)	**18,611**	**17,839**	17,454	16,905
% change in present value of total obligation	**2.1%**	**-2.1%**	1.6%	-1.6%
Projected service cost (£000's)	**835**	**771**	727	680
Approximate % change in projected service cost	**4.1%**	**-3.9%**	3.4%	-3.3%

Post retirement mortality assumption

	31 March 2020		31 March 2019	
*Adjustment to mortality age rating assumption**	**- 1 year**	**+ 1 year**	- 1 year	+ 1 year
Present value of total obligation (£000's)	**18,800**	**17,645**	17,710	16,649
% change in present value of total obligation	**3.2%**	**-3.2%**	3.1%	-3.1%
Projected service cost (£000's)	**832**	**772**	729	677
Approximate % change in projected service cost	**3.8%**	**-3.7%**	3.8%	-3.7%

* 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.

18. Retirement benefit obligations (continued)

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.

Future cash flows

An estimate of the expected employer's regular contributions to the Fund for the accounting period ending 31 March 2021 is £430k.

19. 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.

19. Risks arising from financial instruments (continued)

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 by carrying out a triennial review with its Investment Advisers, Fund Managers and Fund Actuary.
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 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.

20. 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 2020 was £10,224m (31 March 2019: £9,992m). 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 2019. The financial assumptions have been updated by independent qualified actuaries to take account of the requirements of IAS 19. There has been a change to the financial assumptions over the period. The discount rate has reduced by 0.1%, the CPI inflations assumption has reduced by 0.2% and the salary increase has reduced by 0.2% which will result in a more positive balance sheet position than if the financial assumptions had remained as they were at the start of the period.

	31 March 2020 %	31 March 2019 %
Rate of increases in salaries	**3.5**	3.7
Discount rate	**2.3**	2.4
Inflation / Pension increase rate	**2.0**	2.2

Demographic assumptions

The mortality assumptions at the accounting date have been set taking account of actual mortality experience of members within the Fund based on analysis carried out as part of the 2019 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown in the following table:

	2019/20 Years	2018/19 Years
Retiring today:		
Males	**21.8**	22.6
Females	**25.0**	24.9
Retiring in 20 years:		
Males	**23.2**	24.3
Females	**26.4**	26.7

The net assets available for benefits are £7,878m giving a shortfall of £2,346m when compared to the actuarial present value of promised retirement benefits of £10,224m calculated on an IAS 19 basis.

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

McCloud/Sargeant and GMP Indexation and Equalisation

The actuarial present value of promised retirement benefits as presented at 31 March 2020 allows for GMP equalisation and full pension increases to be paid on GMPs to individuals reaching SPA after 6 April 2016 which was not allowed for in previous years.

Similarly the impact of the McCloud/Sargeant ruling is included in the estimates where the assumption has been made that the underpin applies to:

- all members in service on 1 April 2012;
- members' benefits on reaching retirement (normal or ill health), or on prior withdrawal; and
- spouse's benefits on death after retirement

Details of the funding position of the Scheme and the results of the 2019 actuarial valuation exercise are included in the Actuarial Statement on pages 115 to 117.

21. Performance against key financial targets

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

22. 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/Sargeant Ruling

In 2020 NILGOSC awaits the out workings of the 2019 UK Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Following the ruling the government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (NI) (where the transitional arrangements were in the form of a final salary underpin). The next stage is for the case to be referred to the Employment Tribunal to agree the remedy, following appropriate consultation expected to take place Autumn 2020. During the consultation period the government has ruled that the cost management implementation (cost cap) is paused.

While the remedy remains unagreed the likely impact from the McCloud/Sargeant ruling and the impact of cost cap can be estimated. An additional liability has been allowed for in the retirement benefit obligation estimate in note 18 where the assumptions underpinning any additional liability at 31 March 2020 have been provided for by way of both past and future service costs arising from the proposed remedy. As the government has indicated, any retrospective payments due on benefit recalculations necessary based on the final remedy likely to be immaterial at a fund level.

Goodwin Legal Case

A recent Employment Tribunal decision of June 2020, in the case of Linda Goodwin v Sec of State for Education, found that the Teachers' Pension Regulations 2010 (as amended) directly discriminated on grounds of sexual orientation in relation to the provision of adult survivor pensions and thereby result in a breach of the non-discrimination rule in section 61(1) to the Equality Act 2010.

The impugned Regulations provide for a survivor's pension for all adult survivors of marriages and civil partnerships based on the member's service from 1972 (1978 for post-retirement marriages and civil partnerships), except in respect of a widower of an opposite sex marriage or a male surviving partner of an opposite sex civil partnership which are based on the member's service from 1988. The Tribunal found this to be discriminatory and ruled that the Regulations should have effect so that Mrs Goodwin's widower or surviving male civil partner would be entitled to the same survivor pension as if he were her widow or surviving female civil partner. This ruling, which has not been challenged by the government, has implications for all public sector pension schemes including LGPS(NI).

Although there is a similar differential treatment under the regulations governing the LGPS(NI), it is more limited in scope. The differential applies only where the marriage or civil partnership is entered into after the member has left the scheme (either as a pensioner or becoming a deferred member). For such post-leaving marriages and civil partnerships service before 6 April 1988 is excluded in the calculation of the survivor's pension for a widower of an opposite sex marriage or a surviving male civil partner of an opposite sex civil partnership. For all other survivors of post-leaving marriages and civil partnerships the calculation excludes membership before 6 April 1978.

In anticipation of this decision management have reviewed the membership of the female pensioner cohort back to 2005 (date that civil partnerships could first be registered in Northern Ireland). There are less than 110 female pensioner members in the scheme (current or deceased) who have dates of marriage after their retirement date. Any future remedy, regardless of its retrospective scope, is therefore considered likely to be immaterial for the LGPS(NI) at a fund level.

23. Contractual commitments

Outstanding capital commitments (investments) at 31 March 2020 totalled £161m (31 March 2019: £200m). 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. In addition, NILGOSC has committed £250m to a new global property mandate which will be funded over the next 12–18 months.

24. 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 71. 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.

25. 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 £6,896. This figure reflects pensioner overpayments as a result of death which are not considered recoverable.

(ii) Special payments

There were no special payments during the year.

26. Post Balance Sheet Events

With the exception of the recent 'Goodwin' employment tribunal ruling as referenced in note 22, there have been no significant events since 31 March 2020.

The COVID-19 impact on investment returns and performance post year-end will be reflected in the 2020/21 Financial Statements.

The Financial Statements were authorised for issue by the Accounting Officer on 8 September 2020.

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 2019 by Aon, in accordance with Regulation 68 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014.

Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the Scheme had increased since the previous valuation with the market value of the Scheme's assets as at 31 March 2019 (of £8,039.9M) covering 112% of the liabilities allowing, in the case of pre-1 April 2015 membership for current contributors to the Scheme, 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 2020 was:

   - 20.7% 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

   - an allowance of 3.2% of pensionable pay for McCloud and cost management (see paragraph 10 below),

   Less

   - 4.3% of pensionable pay to remove surplus in excess of a funding level of 100% over a recovery period of 20 years from 1 April 2020 (but with an additional monetary amount payable for those employers whose funding position is below 100%).

3. A large number of employers are grouped together (in the Main Employer Group) for the purposes of setting employer contribution rates but contributions for other employers are assessed separately. The resulting contributions payable by each employer are set out in Aon's report dated 30 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Scheme by the employers.

4. The funding plan adopted in assessing the contributions for each employer and the Group 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. Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2020	19.7	2.540
2021	19.7	2.604
2022	19.7	2.671

6. The valuation was carried out using the projected unit actuarial method for most employers and the main financial 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 Ongoing orphan funding target	 4.1% p.a. 4.1% p.a. 4.1% p.a.
Left-service discount rate Main Employer Group funding target Intermediate funding target Ongoing orphan funding target	 4.1% p.a. 3.1% p.a. 1.6% p.a.
Rate of pay increases (service up to 31 March 2015 only) (additional allowance made for promotional increases)	3.6% p.a.
Rate of increase to pension accounts	2.1% p.a.
Rate of increases in pensions in payment	2.1% p.a.

In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the Scheme) was 1.3% p.a. in-service and left-service.

The assets were valued at market value.

7. 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 an analysis of the Scheme's pensioner mortality experience and a Scheme membership postcode analysis using Aon's Demographic Horizons™ longevity model. This included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Core Projections Model (CMI2018), with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.8	24.9
Current active members aged 45 at the valuation date	23.1	26.3

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

8. The valuation results summarised in paragraphs 1 and 2 are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date, although we comment on changes in market conditions to 31 March 2020 in paragraph 11.

9. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 30 March 2020. 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 Scheme as at 31 March 2022 in accordance with Regulation 68 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014.

10. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

   - **GMP indexation:**

     The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. It goes further by allowing for full inflationary increases on GMPs being payable from the Scheme for members reaching SPA after 5 April 2021. However, the Government is still exploring various options, including conversion of GMPs to Scheme benefits, in order to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case.

     Based on approximate calculations, at a whole of Scheme level, the impact of providing full pension increases on GMPs for those members reaching SPA after 5 April 2021 would be very similar if the solution were to be conversion of GMP to scheme benefits on a 1:1 basis.

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

     Initial results from the cost management process indicated that benefit improvements / member contribution reductions equivalent to 3.2% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin).

     There are no confirmed details of any benefit changes for the LGPS NI, but it was agreed with the Committee that allowance should be made in the 2019 valuation for possible additional liabilities arising from Cost Management and McCloud.

     The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 3.2% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the LGPS NI changes have been agreed depending upon the precise nature of the new final salary underpin, the members in scope, and how this affects the cost management process.

11. Since the valuation date, Scheme asset returns have fallen short of the assumed return of 4.1% over the year to 31 March 2020, on its own leading to a reduction in the funding level. In addition, reduced expectations of future asset returns and falls in

gilt yields have led to an decrease in the discount rates, further reducing funding levels and increasing the employers' future service contribution rate. The Actuary, in conjunction with the Committee, will monitor the position on a regular basis and the Committee will take action if it believes necessary.

12. This Statement has been prepared by the Actuary to the Scheme, Aon, for inclusion in the financial statements of the Scheme. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. 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.

13. The report on the actuarial valuation as at 31 March 2019 is available on the Scheme's website at the following address: https://www.nilgosc.org.uk/resources/category/21/valuation-reports.aspx

Aon Hewitt Limited
May 2020

APPENDICES

ANNUAL EQUALITY STATEMENT YEAR ENDED 31 MARCH 2020

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 2019/20 and the equality agenda continues to be promoted and supported by the most senior levels of the organisation.

The NILGOSC Corporate Plan for 2019/20 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 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 2019/20 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". The e-learning module was reviewed and deemed appropriate for ongoing refresher training. One new Management Committee member appointed in 2019/20 also completed the training. All staff completed the biennial refresher Equality and Good Relations learning module. Face to face staff training on equality related policies has been delayed due to the ongoing COVID-19 crisis, as the Staff Away day was postponed until further notice.

- The images in the Basic Guide were updated to include those with disabilities. The Guide was translated into Polish and Lithuanian and both versions are published on our website.

- The website was reviewed in line with Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018. In October 2019 NILGOSC conducted an independent review of the website's accessibility and recommendations were made. NILGOSC are currently looking into the possibility of procuring a new website in light of these recommendations.

In line with its Equality Scheme, NILGOSC continues to carry out screening of any new or revised policies for equality impacts however none were screened and published online during 2019/20. 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 2020

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 2020.

1.2 This report provides a summary of the main areas and issues considered by the ARAC during 2019/20.

2 Constitution of the Audit & Risk Assurance Committee

2.1 Lindsay Todd was appointed Chairperson of the Management Committee on 1 May 2019, therefore ceasing his membership of the ARAC. Mark McBride and Paddy Mackel were appointed as members of the ARAC on 28 May 2019. Paddy Mackel's membership of the ARAC ceased as of 1 April 2020 when new members were appointed to the Management Committee and full complement was reached. As at 31 March 2020, there were four members of the ARAC.

2.2 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 financial statements, and the annual report of the organisation, including the process for review of the financial statements 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.

2.3 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.

2.4 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 2018/19 were prepared in line with changes to the FReM and relevant accounting guidance. This was presented to the ARAC on 12 August 2019. The new IFRS 9 Financial Instruments standard was adopted for the first time in preparation of the financial statements for 2018/19, which resulted in additional disclosure notes to the financial statements. In line with DAO (DFP) 10/12 'Requirement to Complete a Governance Statement', the Chief Executive prepared his Governance Statement for 2018/19, which was considered and endorsed by the ARAC for inclusion in the 2018/19 Annual Report.

3.2 In addition to the Governance Statement, the Annual Report 2018/19 also included the Annual Report of the ARAC. On the recommendation of the ARAC, the Annual Report 2018/19 was approved by the Management Committee at its meeting on 27 August 2019 and laid before the Assembly on 10 September 2019.

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 2018/19 (RTTCWG) to the ARAC on 12 August 2019.

4.3 The External Auditor advised the ARAC that there were no significant issues identified as a result of the audit. One priority 2 procurement related recommendation was accepted by management. The External Auditor opined that the financial statements had been properly prepared and provided a true and fair statement of NILGOSC's affairs as at 31 March 2019.

4.4 The Local Government Auditor issued a clean audit opinion for the year ended 31 March 2019. There were no significant issues reported in the 2018/19 RTTCWG.

4.5 The Local Government Auditor presented its Audit Strategy 2019/20 to the ARAC at its meeting on 10 February 2020, which was subsequently approved.

5 Internal Audit

5.1 The Internal Auditor presented the final audit plan for 2019/20 to the ARAC on 3 June 2019.

5.2 The internal audit reviews conducted during 2019/20 and the assurance opinion provided in respect of each is set out in the table below:

Review	Assurance Opinion
Corporate Governance	Satisfactory
Financial Management	Satisfactory
Human Resource Management	Satisfactory
Pensions Development	Satisfactory
Pensioners' Payroll	Satisfactory
Pensions Administration	Satisfactory
Follow Up	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 2019/20.

5.4 The ARAC receives bi-annual reports on the progress against implementation of internal audit recommendations. These reports were provided in August 2019 and February 2020 and the ARAC noted that good progress had been made during 2019/20.

5.5 In his Annual Assurance Report, the Head of Internal Audit (HIA) stated that, during the twelve month period ended 31 March 2020, 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 2020.

6 Risk, Control and Governance

6.1 During the annual review of the risk register in May 2019, the risk register was extensively reviewed. Two new risks were identified as a result of the review and some amendments were made to the register including risk scores and control measures. The ARAC reviewed the risk register 2019/20 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 2019/20 resulted in the addition of one investment related risk. It also resulted in an increase in the overall risk score of three risks on the risk register, with two reducing and reverting back to their previous scores in a subsequent quarter. The changes to the risk register were approved by the ARAC.

6.4 The annual review of the risk register took place on 28 April 2020 and as a result the register for 2020/21 was agreed. In addition, a separate risk register was also created to address the risks arising from the COVID-19 crisis. The changes to the risk register for 2020/21 and the COVID-19 risk register were approved by the ARAC.

6.5 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 3 June 2019 and 18 November 2019 before consideration by the Management Committee and sign off by the Chairperson.

7 Fraud and Whistleblowing

7.1 During 2019/20, there were two cases of suspected fraud identified and reported during the year ended 31 March 2020. One suspected fraud regarding a staff member was thoroughly investigated and deemed fraudulent. Another suspected fraud reported by an employer and investigated by the Head of Internal Audit at the Education Authority was deemed fraudulent. This instance was also reported to the PSNI. There were no instances of whistleblowing reported during 2019/20.

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.

8 Other

8.1 The Terms of Reference for the ARAC are reviewed every three years, having previously been reviewed on an annual basis. On 27 August 2019, the Management Committee undertook a review of its papers which recommended that the ARAC Terms of Reference are reviewed every three years or as required. On 19 November, the Management Committee agreed these changes. The scope and content of the Terms of Reference are reviewed to ensure compliance with best practice as set out in the Department of Finance's Audit and Risk Assurance Committee Handbook (NI). The Terms of Reference were presented to the ARAC on 18 November 2019 with no proposed amendments. 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 2019/20.

9 Effectiveness of the Audit & Risk Assurance Committee

9.1 The ARAC met four times during 2019/20 in accordance with the planned work programme.

9.2 The following table sets out the attendance record for 2019/20:

Member	Meetings Called	Meetings Attended	Attendance %
Linda Neilan	4	4	100%
Joan McCaffrey	4	3	75%
Tom Irvine	4	3	75%
Mark McBride	4	4	100%
Paddy Mackel	4	2	50%

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 28 April 2020 to discuss the questions on the checklist and review its effectiveness for the reporting period 1 April 2019 to 31 March 2020. 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 2019/20 review of effectiveness, no significant issues were identified. Some follow-up actions were agreed from the review of effectiveness in 2017/18 concerning the rotation periods. This action will be addressed at the May 2020 Management Committee meeting when new members are allocated to sub-committees.

10 Opinion

10.1 Based on the assurances and information provided during the year ended 31 March 2020, 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 2020

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
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 Louis Grammar School Kilkeel
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:

Term	Definition
Accrual rate	This is the rate at which pension benefits build up for the member e.g. $1/49^{th}$ 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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