



# **ANNUAL REPORT 2014/2015**

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE

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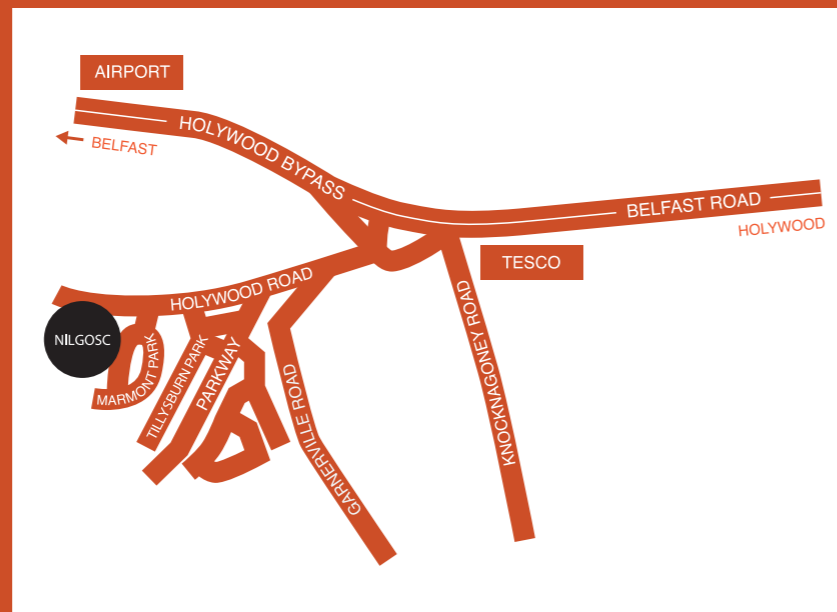
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# ANNUAL REPORT

## 2014/2015

NILGOSC Annual Report and Accounts  
 For the Year Ended 31 March 2015

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

on

8 September 2015

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# EXECUTIVE SUMMARY



## EXECUTIVE SUMMARY

### ADMINISTRATION OF THE SCHEME

- Membership of the Scheme continued to grow during the year with 109,462 contributing members, pensioners and deferred pensioners at 31 March 2015.
- Employer contribution rates remained at 20% in line with the rates set by the actuary at the triennial valuation as at 31 March 2013.
- Scheme pensions were increased by 2.7% with effect from 7 April 2014 in accordance with the Pensions Increase (Review) Order (Northern Ireland) 2014.
- During the year plans and processes were completed to manage the transition to the new Career Average Revalued Earnings (CARE) Scheme which was implemented with effect from 1 April 2015.
- The main administration regulations for the new CARE Local Government Pension Scheme (Northern Ireland) were made by the Department of the Environment on 27 June and 30 June 2014, and the governance regulations were made on 23 February 2015. Details of the new regulations are provided in the Administration of the Pension Scheme section of this report.
- In March 2015, the Department of the Environment designated the Management Committee as the Pension Board of the Local Government Pension Scheme (Northern Ireland) with effect from 1 April 2015. The role of the Pension Board is set out in the Governance Statement within this report.
- There have been several cessations and mergers of employing authorities in the Scheme during 2014/15 to form new bodies under the Review of Public Administration, in particular the formation of the new councils and the Education Authority.

### INVESTMENT OF THE FUND

- The value of the Fund increased by £790m to £5.85bn during the year ended 31 March 2015.
- The overall return on total assets for the year was 15.1% (2013/14: 8.04%), which was ahead of the Fund's investment target of CPI+5%.
- Seven of NILGOSC's ten investment managers outperformed their respective benchmarks for the year ended 31 March 2015.
- The index linked property portfolio is now fully invested with a mix of assets with an overall yield in line with the agreed strategy.
- Progress has been made on the decision to diversify returns and identify suitable infrastructure investment opportunities. During 2014/15 NILGOSC committed to invest £40m in Antin Infrastructure Partners Fund II and £40m with KKR Global Infrastructure Investors II.
- Markets posted solid returns over the year to 31 March 2015, although there was a sizeable difference between equity regions. Bonds and property also delivered positive returns.



# FOREWORD



## FOREWORD

### STATUTORY BACKGROUND

The Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) is a non-departmental public body sponsored by the Department of the Environment, 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 Committee submits its annual report for the year ended 31 March 2015 to the Department of the Environment.

### 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 to:

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

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

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.

### COMMITTEE MEMBERS

The Management Committee (which is similar to a board of non-executive directors or trustees) consists of a chairman, five members nominated by employers' organisations, five members nominated by employees' organisations and two independent members. The Committee members are appointed by the Department of the Environment for a four year term. Effective from 1 July 2013, the Department reappointed Trevor Salmon, Joseph Donaghy, Julie Erskine, Bumper Graham and Celine McCartan for a second four year term ending 30 June 2017. On 1 October 2011 the Department appointed Peter Caldwell, David Jackson, Peter McMurray, Linda Neilan and Ciaran Quigley for a four year term ending 30 September 2015. On 1 July 2012, the Minister for the Environment appointed Tom Irvine and Sharon McQuillan for a four year term ending 30 June 2016 and on 1 May 2013 Lindsay Todd was appointed for a four year term ending 30 April 2017. In addition, the Department has appointed an observer who may attend the meetings of the Management Committee and Audit and Risk Assurance Committee.

In March 2015, the Department designated the Management Committee as the Pension Board of the LGPS NI from 1 April 2015. The role of the Pension Board is set out in the Governance Statement within this report.

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



## CHAIRMAN



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

## COMMITTEE MEMBERS



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



**Mr Joseph Donaghy MBE** is the former Northern Ireland UNISON Regional Head of health, local government and education. He was an independent member of the Policing and Community Safety Partnership until 31 March 2015 and was a board member of the North Eastern Education and Library Board until 31 March 2015.



**Mrs Julie Erskine** was previously the Operations Director in a Belfast-based private healthcare company, having also worked as Support Services Director for the same company. She is a board member of the Northern Ireland Social Care Council, the Public Health Agency, the Probation Board Northern Ireland, a member of the Audit Committee of the Commissioner for Older People for Northern Ireland and the Chair of the Audit Committee for Northern Ireland Commissioner for Children and Young People.



**Mr Bumper Graham** is the Assistant General Secretary of the Northern Ireland Public Service Alliance (NIPSA). He is currently a member of the Local Government Staff Commission, Chairperson of the NIC-ICTU Public Service Pensions Group and Joint Chairperson of the Department of Finance and Personnel Public Service Pensions Central Consultative Working Group. Bumper is also a member of the NI Civil Service Pensions Board and Co-Chairperson of the North/South Bodies Pension Forum.



**Mr Tom Irvine** is currently a part-time Pensions lecturer for the North West Regional College, the Pension Tutor for Unite the Union in Northern Ireland and Chairman of the Unite Branch 3/83. Previously he was a Trustee Director of the Visteon (UK) Pension Scheme until it transferred to the Pension Protection Fund (PPF) in February 2012. Tom is also an Independent Assessor for Public Appointments in Northern Ireland.



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



**Ms Celine McCartan MBE** is a Deputy Director at the South West College with responsibility for Finance, HR, Estates and Student Support Services. She is a Fellow of the Institute of Chartered Accountants in Ireland and a Chartered Member of the Institute of Personnel and Development. Celine was also an independent member of the Audit Committee of Omagh District Council until 31 March 2015 and she undertakes a number of other voluntary roles providing support to carer support and disability organisations.



**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 the Group Accounting Manager for the Northern Ireland Transport Holding Company/Translink with responsibility for core finance, payroll and ticketing projects. She is a Fellow of the Institute of Chartered Accountants in Ireland and previously was an audit manager with Deloitte.



**Mr Lindsay Todd** has lengthy experience in the pension fund industry and was, until his retirement, a partner in a leading international professional services firm. He currently serves on the NI Judicial Appointments Commission, the advisory committee to the NI Central Investment Fund for Charities, is a trustee of a leading charity and is also a school governor.



**Mr Ciaran Quigley** was the Town Solicitor and Assistant Chief Executive of Belfast City Council prior to his retirement. He previously acted as Director of Legal Services with the Council and has extensive experience as a corporate legal adviser to a range of Northern Ireland local government and other public bodies.



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

## 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](http://www.nilgosc.org.uk).

## CHIEF EXECUTIVE AND SECRETARY

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

The Permanent Secretary for the Department of the Environment 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 of the Environment. 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.

## AUDIT

The Local Government Pension Scheme Regulations (Northern Ireland) 2014 provide for the accounts kept by the Committee to be audited annually by the Local Government Auditor. Her staff are wholly independent of NILGOSC and the audit fee is disclosed in note 7 to the Financial Statements. The auditors did not perform any non audit work this year.

## DISCLOSURE OF RELEVANT AUDIT INFORMATION

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

## FIXED ASSETS

Fixed assets consist of intangible assets and property, plant and equipment and

their values are stated in note 12 and note 13 to the financial statements.

## IMPORTANT EVENTS OCCURRING AFTER THE YEAR END

There have been no significant events since 31 March 2015.

## CHARITABLE DONATIONS

The Committee made no charitable donations during the year.

## EQUAL OPPORTUNITY

It is the policy of the Committee to ensure that equality of opportunity is provided to all employees and those seeking employment and make all reasonable adjustments to support the employment, training and development and retention of those with a disability.

## 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 2014/15 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. 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. Staff are involved in the preparation of the annual corporate plan.

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

## 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 2015 NILGOSC paid 1,288 invoices totalling £15.05m on 10 day terms, of which 57 undisputed invoices were late. The average time to pay invoices during the year was 8 working days (2013/14: 6 working days)

## SICKNESS ABSENCE

The average number of days lost to sickness absence by all staff in 2014/15 was 2.7 days (2013/14 – 1.5 days).

## PERSONAL DATA RELATED INCIDENTS

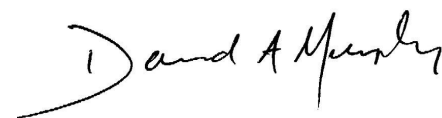
NILGOSC records all personal data related incidents and makes an assessment against the Information Commissioner's Office guidance to determine whether an incident is significant and/or serious enough to warrant reporting. In the year ended 31 March 2015, there were 12 non-reportable personal data related incidents and no reportable incidents.

## RISKS ARISING FROM FINANCIAL INSTRUMENTS

NILGOSC's investment strategy seeks to maximise the returns from investments within a range of risk parameters and it reduces investment risk to an acceptable level by investing in a well diversified range of asset classes, countries, sectors and securities. Consideration of investment risk forms part of the overall risk management framework and all risks, including investment risks, are reviewed and monitored quarterly at a management and Committee level. Overall responsibility for risk management lies with the Committee.

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

Market Risk	Market risk or price risk is the risk of capital loss as a result of a fall in the price of investments. Fluctuations in price can arise from a variety of sources including interest rate risk, credit risk, currency risk and liquidity risk.  The Fund is exposed to market risk as a result of its investment activities. The overall market risk of the Fund will depend on the actual mix of assets and market conditions and will encompass the different elements of risk, some of which may offset each other.
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 does not hedge against the effect of such fluctuations and this position is reviewed regularly as part of the review of the investment strategy.
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 by hedging investments denominated in overseas currencies into sterling at various times.
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.



**David Murphy**  
Chief Executive and Secretary

25 August 2015



# MANAGEMENT COMMENTARY

JOINT STATEMENT FROM THE CHAIRMAN AND CHIEF EXECUTIVE



## MANAGEMENT COMMENTARY JOINT STATEMENT FROM THE CHAIRMAN AND CHIEF EXECUTIVE



Trevor Salmon OBE  
Chairman



David Murphy  
Chief Executive and Secretary

2014/15 was a year of significant change across public sector pensions, with 31 March 2015 heralding the end of the final salary aspect of the Local Government Pension Scheme (LGPS) in Northern Ireland. In many respects this was the end of an era, as the final salary benefit structure has been in operation since NILGOSC's creation in 1950. What this means is that after 1 April 2015, scheme members will accrue pension benefits based on their average earnings over their career, with the final salary link remaining for periods of service up to and including 31 March 2015 only. 2014/15 was also a time to prepare and look forward to the new Career Average LGPS, under which we will continue to provide our employers and members with one of the best occupational pension schemes in the UK.

This statement is intended to provide a summary of NILGOSC's activities and achievements during the year ended 31 March 2015.

### INVESTMENT PERFORMANCE

The NILGOSC Fund hit the £5bn mark for the first time in February 2014 and, despite another year of volatility across global markets, it ended the year at a new high of £5.85bn. NILGOSC outperformed its investment target of Consumer Price Index + 5%, with an overall fund return for the year of 15.1%. The continued strong run of equity markets, particularly overseas markets, made a significant contribution to the Fund's outperformance, as did positive returns from both the bond and property markets. Active management of the investment portfolio remained at the top of the Committee's agenda throughout the year with all 10 investment managers being held

to account over their stewardship of the respective funds. 2014/15 saw NILGOSC make its first infrastructure investment with a £40m commitment to a European 10 year infrastructure fund and a £40m commitment to a US-based 10 year infrastructure fund. This investment sees the start of NILGOSC's implementation of its medium term asset allocation strategy of investing 5% of the fund in Alternative asset classes. Infrastructure is currently an attractive opportunity for NILGOSC as it provides additional diversification from the more cyclical asset classes of equities and bonds, as well as providing longer term, stable, inflation-linked cashflows, which are considered to be a better match for pension scheme liabilities. Full investment of the target infrastructure allocation of £150m will take place over the medium term as good, long term opportunities are sourced and assessed.

### SCHEME ADMINISTRATION

From a scheme administration perspective, the last twelve months have been dominated by three Ps, planning, preparation and persuasion. Planning for a major upgrade of our pension administration system; preparation for the new Career Average LGPS which comes into effect on 1 April 2015; and persuasion in terms of our ongoing efforts to ensure that the NILGOSC Scheme remains attractive to both its members and employers alike by influencing legislators both in Northern Ireland and at Westminster.

The main administration regulations for the new Career Average LGPS (NI) were made by the Department of the Environment on 27 June and 30 June 2014, with the governance regulations

following on 23 February 2015. This created various administrative pressures as the fundamental change to scheme benefits meant that the third party pension administration software, together with all Scheme literature, processes and procedures, had to be rewritten ahead of the introduction of the new Scheme. This nine month window for the development, testing and delivery of complex and bespoke pension administration software was particularly challenging with the third party supplier of the software for the new Scheme unable to deliver the first release of the new software until March 2015. Service delivery was undoubtedly affected by both the migration to a new software system and the preparation for the new Scheme, however we hope that for the majority of our members and employers it has simply been 'business as usual'. Given the scale of changes, it was an exceptional achievement for NILGOSC to be in a position to administer the new Career Average LGPS with effect from 1 April 2015.

Despite this backdrop, NILGOSC staff endeavoured to ensure that scheme members, pensioners and employers continued to receive the high level of customer service they have come to expect. NILGOSC prides itself on providing a personal service to members and employers, whether that is in person, over the telephone or through written correspondence. More than perhaps anyone, we appreciate the technical and complex nature of pensions and will continue to strive to ensure our members understand their pension scheme. We are therefore delighted that this focus on customer satisfaction is reflected in feedback



received throughout the year and is also reflected in the results of the annual satisfaction survey which shows that 91.5% of respondents rated their overall satisfaction with the service they received as being good or excellent.

### **PUBLIC SECTOR REORGANISATION AND RESTRAINT**

As if the advent of the new Scheme was not enough to make 2014/15 a year to remember, the ongoing changes and contraction within the public sector provided another challenge to the scheme administration. Many of the employing authorities in the NILGOSC Scheme have been, or will be, affected by the implementation of Local Government reform, Education Sector reform and public sector redundancy schemes. NILGOSC has sought to work with affected employers from the outset, in particular advising employers on the pension implications of certain exit schemes. We had already started to see an increase in early retirement quotation requests towards the latter end of 2014/15 and the anticipated contraction in the public sector workforce is expected to result in an increase in retirements and redundancies over the next twelve to eighteen months. Given this predicted spike in demand during 2015/16, we have already taken steps to increase resources in the administration team to help maintain service delivery during the year ahead.

Also related to the new era of public sector spending restraint is the additional financial pressure faced by public bodies, many of whom have experienced budget cuts over the last twelve months. A consequence of this is that the long term financial position of some scheme employers is less certain than say this time five years ago. Scheme affordability remains high on NILGOSC's agenda but alongside this sits a responsibility to ensure that the fund and its employers remain adequately protected against the risk of employer default. With this in mind, NILGOSC completed its initial review of employers' ability to meet current and future liabilities and going forward we will continue to monitor and manage this risk in conjunction with the funding strategy.

### **LOOKING FORWARD**

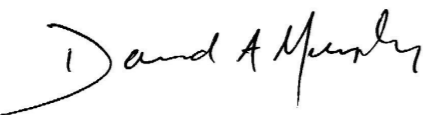
It will be another challenging year in 2015/16 not only as we 'go live' with the new CARE Scheme and associated administration systems, but also, as mentioned above, we deal with increases in demand due to the public sector severance schemes. The fund is in a sound financial position even so the Committee will robustly monitor all aspects of the Scheme administration.

### **THANKS**

Finally we would like to express our gratitude to the Management Committee which has devoted considerable time and effort to the Committee's business over the past year. It almost goes without saying, but we couldn't have achieved all that we have over the past twelve months without the hard work and dedication of the management and staff of NILGOSC, who continue to make the organisation what it is today. Thank you all very much.



**Trevor Salmon OBE**  
Chairman



**David Murphy**  
Chief Executive



# GOVERNANCE STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015



## GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

### 1. INTRODUCTION

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

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 MPMNI.

This Governance Statement sets out how these duties have been carried out through the financial year ended 31 March 2015 and includes an assessment of the corporate governance and risk management systems in place within NILGOSC that have ensured these responsibilities have been met.

### 2. THE GOVERNANCE FRAMEWORK 2014/15

NILGOSC is a non-departmental public body (NDPB), sponsored by the Department of the Environment (the Department). It is the corporate body responsible for the administration of the Local Government Pension Scheme in Northern Ireland (the Scheme) and its functions and responsibilities are laid down in the Local Government Pension Scheme Regulations (Northern Ireland) 2014. With effect from 1 April 2015, the Committee is designated as the Pension Board for the Scheme in accordance with the Local Government Pension Scheme (Governance) (Amendment) Regulations (Northern Ireland) 2015.

A Management Statement is in place with the Department which sets out the broad framework within which NILGOSC will operate in administering the Scheme and in the exercise of its functions, duties and powers. An associated Financial Memorandum is also in place with the Department, which

sets out certain aspects of the financial framework within which NILGOSC is required to operate, in accordance with MPMNI. NILGOSC complied with the conditions and requirements in the Management Statement and the Financial Memorandum during the financial year ended 31 March 2015.

#### 2.1 THE MANAGEMENT COMMITTEE

The Management Committee (the Committee) consists of a Chairman, five members nominated by employers' organisations, five members nominated by employees' organisations and two independent members. The Committee Members are appointed by the Department via the public appointments process for a four year term. A register of Committee Members' interests is maintained by the Chief Executive and Secretary and is published on the NILGOSC website.

In March 2015, the Department designated the Committee as the Pension Board of the LGPS NI from 1 April 2015. The role of the Pension Board is to assist with securing compliance with the Governance Regulations; any other legislation relating to the governance and administration of the Scheme and requirements imposed by the Pension Regulator (TPR) in relation to the Scheme and to assist with 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 recommended by the Chief Executive and Secretary. 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
- Fund Manager performance reports
- Corporate performance reports
- 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 Chairperson provides a verbal report to the Committee.

The Committee normally meets on a monthly basis with the exception of July when no meeting is held. 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, with effect from 1 April 2015, at <http://www.nilgosc.org.uk/minutes-of-committee-meetings>.

The Committee met eleven times during 2014/15. In addition, four ARAC meetings and two Staffing Committee meetings were held during the year. A schedule of membership and attendance for the 2014/15 financial year is shown in the table on the following page.



	MANAGEMENT COMMITTEE		AUDIT AND RISK ASSURANCE COMMITTEE		STAFFING COMMITTEE	
	Called	Present	Called	Present	Called	Present
Trevor Salmon	11	11	-	-	-	-
Julie Erskine	11	10	-	-	2	1
Bumper Graham	11	9	4	3	-	-
Celine McCartan	11	9	1	1	2	1
Joe Donaghy	11	11	-	-	2	2
Linda Neilan	11	11	4	4	-	-
David Jackson	11	11	-	-	2	2
Ciaran Quigley	11	10	4	2	-	-
Peter Caldwell	11	11	-	-	2	2
Peter McMurray	11	7	-	-	2	2
Tom Irvine	11	11	4	4	-	-
Sharon McQuillan	11	11	-	-	2	2
Lindsay Todd	11	11	4	3	-	-
<b>Average % Attendance</b>		<b>93%</b>		<b>81%</b>		<b>86%</b>

Knowledge and understanding is a key requirement for Committee Members and the specific requirements are set out in the Public Service Pensions Act (Northern Ireland) 2014 and have been incorporated into the TPR Code of Practice 14: Governance and Administration of Public Service Pension Schemes, effective 1 April 2015.

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. 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. All Committee Members are required to 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 an annual Committee training day is organised to meet training needs identified through the training needs self-assessment. Training records are maintained and updated on a quarterly basis.

## 2.2 THE AUDIT AND RISK ASSURANCE COMMITTEE (ARAC)

The ARAC provides a forum for the scrutiny of NILGOSC's corporate governance, risk and internal control systems and promotes a climate of robust financial discipline and control. It has formally agreed Terms of Reference, which are reviewed on an annual basis. The ARAC comprises nominated Committee Members, at least one of whom, to include the Chairperson, 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, which informs me, as Accounting Officer, on its accuracy and appropriateness prior to release. Standing agenda items for consideration by the ARAC include:

- Quarterly review of the risk register and internal control system
- Fraud and Whistleblowing report
- Internal audit reports
- Progress against internal audit recommendations

- New or revised governance policies
- DFP 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 2015 up to the date of approval of the Annual Report and Accounts, and

accords with Department of Finance and Personnel guidance. A full description of NILGOSC's risk management process and the assessment of risks during 2014/15 are provided in section 5 of this Statement.

## 2.4 CORPORATE AND BUSINESS PLANNING

The Committee publishes a Corporate Plan each year, which sets out its objectives over a three-year period together with the appropriate targets and key performance measures. The Committee undertook its triennial strategic review in March 2012 and subjected its revised Vision, Mission, Strategic Aims and Values to a public consultation in October 2012. The results of this strategic review and subsequent consultation exercise have been incorporated into the Corporate Plan 2015/16 – 2017/18. NILGOSC commenced its latest strategic review in April 2015, which included a comprehensive review of its Vision, Mission, Values and Strategic Aims and Objectives. The outcome of this review was issued for consultation on 27 May 2015 and will be used to inform future business planning.

The Plan has been formulated by the Committee taking into account the views of management and staff and understanding external factors such as government policy and stakeholder needs. Each business area undertakes a number of operational activities which fulfil NILGOSC's business objectives, and in turn are designed to satisfy the corporate aims. 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 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 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, DFP 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 conflicts of interest or potential conflicts of interest were identified during 2014/15.

## 4. DEPARTMENTAL APPROVALS

In line with the DFP Pay Remit approval process, NILGOSC requested and subsequently received approval on 3 April 2014 for the April 2014 contractual salary increments and on 25 February 2015 for the 2014/15 and 2015/16 pay settlements.

During 2014/15, NILGOSC identified three pension overpayments totalling £3,717.33 (0.003% of total pension payments in 2014/15) that it had been unable to recover through its normal procedures. These overpayments were a result of non-notification of death of pensioners to NILGOSC, resulting in pension payments continuing to be made. NILGOSC sought approval of the Department not to pursue the recovery of the overpayments due to the circumstances involved and approval was received on 22 June 2015.

NILGOSC received approval from the Department on 1 June 2015 for the write-off of £953k in respect of withholding tax relating to Italian investments. This had been a long-standing issue dating back to between 1997 and 2002. NILGOSC took all reasonable steps to recover the money but was unsuccessful and a provision was made in the accounts to reflect this in 2009.

## 5. RISK ASSESSMENT

NILGOSC's Risk Management Policy sets out the organisation's risk control framework and appetite to risk. Overall, 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 modernise.

The risk control framework provided a consistent basis to identify, monitor and report risks and to progress strategies to mitigate against these risks during 2014/15. A dedicated risk owner is assigned at management level to each risk so as 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.

In addition to quarterly reviews of the risk register, a thorough 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 2014/15 was carried out on 8 May 2014. The review included consideration of challenges facing NILGOSC in 2014/15, including the implementation of the LGPS 2015 Scheme; merging of the Councils and the increased administration work this would create and various ongoing projects. It was acknowledged that 2014/15 would be a very busy period for NILGOSC and involve competing priorities for managers and staff but, as these issues were already being addressed under existing risks, no new risks were added to the 2014/15 register. The risk register contained 44 risks in total, ten of which were categorised as strategic risks that could impact on the long-term achievement of the organisation's strategic objectives.

Risk appetite is the amount of risk that an organisation is willing to seek or accept in the pursuit of its strategic objectives. It also takes account of the adequacy of the controls in place to manage the risk. NILGOSC undertook

a thorough review of its risk appetite in April 2014. It considered its strategic risks under the broad categories of investment, financial, reputational, political/strategic and compliance. It assessed its risk appetite in relation to each of these categories using HM Treasury's classifications: Hungry, Open, Cautious, Minimalist and Averse. Overall, the review determined that NILGOSC has an open/cautious appetite to risk taking, with the exception of compliance risks, where its appetite is risk averse. NILGOSC's risk appetite was incorporated into a revised Risk Management Policy in June 2014.

Following this, a further review of the risk register was undertaken in July 2014 to categorise and score each risk in accordance with the agreed risk appetite. The amended risk register contained 43 risks in total, ten of which were categorised as strategic.

The quarterly risk reviews resulted in an increase in the net risk score of three risks on the risk register. The issues considered and the rationale for the changes are set out below.

- 1) The net risk score of the risk, 'Current demands and competing priorities results in unmanageable workloads and failure to meet organisational objectives' was increased during the first quarter of 2014/15 to reflect the increase in workload as a result of the implementation of the LGPS NI 2015 Scheme, local government reform and ongoing projects.
- 2) In quarter 3, it was agreed that the inherent and net risk scores of the risk 'Staffing levels and structure do not effectively meet current and/or future business needs resulting in an inability to effectively deliver a service', should be increased to reflect the increased probability of this risk being realised due to the uncertainty regarding public sector redundancies and the increase in demand for NILGOSC to provide quotations and benefit payments.
- 3) The net risk score of the risk, 'Failure of Department to provide timely updated actuarial factors results in inability to perform calculations', was also increased during the third quarter of 2014/15 to reflect the increased probability of this risk being realised

due to outstanding GAD factors for the new Scheme.

The annual test of the Business Continuity Plan (BCP) was undertaken in March 2015. The test was a practical exercise, designed to test NILGOSC's ability to restore essential IT servers in order to process payments at the disaster recovery site. The standard procedures within the BCP for advising staff and other stakeholders of an incident were also tested. The restore of the pension software server was unsuccessful and the resolution of the issue was immediately prioritised. The issue was identified and resolved by the IT team and the test was successfully re-performed. No other significant issues were identified and any minor issues are being addressed.

NILGOSC also participates in the National Fraud Initiative's (NFI) biennial data matching exercises for the purposes of assisting in the prevention and detection of fraud. Data matching involves comparing sets of data of a body against records held by the same or other participating bodies, thus allowing potential fraudulent claims or payments to be identified. In October 2014 NILGOSC took part in the NFI 2014/15 data matching exercise and potential matches were released to NILGOSC in January 2015. NILGOSC is investigating the matches but no cases of actual or suspected fraud have been identified to date. NILGOSC also takes part in the NFI's mortality tracing exercises in order to identify any potential overpayments to deceased pensioners at an earlier stage. NILGOSC continued to investigate any identified matches as a result of the NFI data matching and mortality screening exercises during 2014/15 and the ARAC received regular reports on progress.

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 and are made available to all staff. No cases of actual or suspected fraud were reported

during the 2014/15 year and no incidents were raised through the Whistleblowing Policy.

NILGOSC takes information security seriously and has a number of controls in place to safeguard the security of the information it holds. A number of minor personal data incidents or potential breaches were identified in 2014/15 but none of these issues constituted a significant breach of sensitive data nor were they reportable breaches in accordance with the Information Commissioner's Office guidance. In May 2013, the management team developed and carried out an information risk assessment to identify the information risks facing NILGOSC and the potential impact of these risks. The outcome of the risk assessment demonstrated that, overall, NILGOSC's potential exposure to information risk is low and that there is a satisfactory level of assurance that existing processes and practices are in place and operating effectively. The risk assessment identified some scope for improvement and appropriate action to address any priority risk areas was included in an action plan. Good progress was made during the 2014/15 year in relation to this action plan, which was reported to the ARAC on a six monthly basis. Progress included the development of an Information Strategy, implementation of a Secure Desk Policy, submission and subsequent approval of a disposal schedule by the Public Records Office Northern Ireland and the roll out of a data protection e-learning module for all staff.

A robust Information Security Policy, technical safeguards and procedures are in place to protect the security of information. 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.

Looking forward to 2015/16, NILGOSC will have a number of challenges to manage, including the potential impact of public sector reform on Scheme membership and the funding strategy of the Scheme, the impact on NILGOSC of the proposed merger of its sponsor Department with the Department for Social Development, the potential impact of new legislative provisions

regarding freedom and choice and ongoing projects. These challenges and any new or emerging risks will be reviewed during the annual risk review for 2015/16 and appropriate plans will be put in place to effectively manage any risks within the existing risk and internal control framework.

## 6. 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.

### 6.1 HIGHLIGHTS OF COMMITTEE AND ARAC MEETINGS

The standing agenda items for Committee meetings and ARAC meetings have been set out in section 2.1 and 2.2 respectively. In addition to these, other important issues considered by the Committee/ARAC during 2014/15 are set out below:

- Implementation of the LGPS NI 2015 Scheme
- Revised Statement of Investment Principles and Statement of Responsible Investment
- Revised Investment Monitoring Guidelines and Scorecard
- The Committee's risk appetite
- Approval of £40m investment in Antin Infrastructure Partners II Fund and £40m in KKR Global Infrastructure Investors II Fund
- Outcome of the tender exercises to appoint a contractor to carry out the refurbishment of the second floor in Templeton House and a provider of

- internal audit services
- Change in the formal benchmark for monitoring the performance of the core property portfolio
- Admission of new bodies to the Scheme. Details of the bodies admitted during 2014/15 are set out in the Administration of the Pension Scheme section of this report.
- Performance assessment of the Investment Advisor
- Outcome of the review of the asset allocation in October 2014 and implementation of recommendations
- Use of the National LGPS Framework for Investment Consultancy Services for the tender exercise to appoint a new Investment Advisor

The standing agenda items considered by the ARAC have particular importance to 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 2014/15 are set out in its Annual Report, which is provided separately in this document.

The ARAC undertakes an annual review of its effectiveness, in line with best practice issued by the National Audit Office. The review undertaken for 2014/15 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.

### 6.2 COMMITTEE PERFORMANCE

NILGOSC developed and implemented a Committee Effectiveness Framework during 2012/13. A key feature of the Framework is a self-assessment questionnaire, 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 over the next one to two years. The questionnaire focuses on the following eight key sections:

- Committee Composition and Function
- Committee Meetings and Support
- Strategic Planning and Performance

- Monitoring
- Financial and Project Management
- Risk, Audit and Governance
- Pension Scheme Administration
- Investment of the Fund
- Communication and Engagement with Key Stakeholders

The outcome of the evaluation for 2014/15 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.

### 6.3 PROVISION OF INFORMATION AND DATA TO THE COMMITTEE

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

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

Each report has an executive summary that summarises the key issues and meeting papers are issued one week in advance of each meeting. During its review of effectiveness in 2014/15, all Committee Members agreed that meeting papers are useful, sufficient and properly focused. Positive comments were made in respect of the information provided, stating that the quality of meeting papers is excellent. 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.

#### 6.4 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 the Committee'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 2015, NILGOSC's systems in relation to risk management, control and governance were adequate and operated effectively, thereby providing substantial assurance in relation to the effective and efficient achievement of NILGOSC's objectives. 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 2015.

An independent external quality assessment of NILGOSC's internal audit service was undertaken in 2014/15, which concluded the service provided by ASM is satisfactory and conforms with the Public Sector Internal Audit Standards. During 2014/15, NILGOSC undertook a competitive tender exercise for the provision of its internal audit service. Members of the ARAC were involved in the Selection Panel for the tender exercise. ASM were the successful firm and have been re-appointed for three years, effective 1 April 2015.

#### 6.5 EXTERNAL AUDIT

As a non-departmental public body, NILGOSC is required to use the Northern

Ireland Audit Office (NIAO) for the provision of its external audit service. The Local Government Auditor issued a qualified audit opinion for the year ended 31 March 2014 on the basis of uncertainty surrounding the eligibility of membership of the employees of the Youth Justice Agency Northern Ireland (YJANI). The opinion was qualified on regularity and on the financial statements on the grounds of limitation of scope in respect of the pension contributions received from YJANI, pension benefits paid to members who accrued benefits while employed by YJANI and any potential impact on Net Assets.

During 2014/15, the Departments of the Environment and Justice were in discussion about the means of transferring such employees into the Northern Ireland Civil Service (NICS) pension scheme irrespective of whether they are eligible to remain in the NILGOSC Scheme or not. The Department of the Environment directed NILGOSC to transfer the active membership of YJANI to the NICS pension scheme by way of a bulk transfer. The transfer date is at 31 March 2015 although the terms of the transfer are still to be agreed. Further YJANI members have been given the option of retaining their past service benefit in the NILGOSC scheme. Hence last year's uncertainties in respect of whether contributions from and benefits paid to YJANI members since YJANI was admitted to the NILGOSC scheme in 2003 may have to be repaid have been resolved by both the agreement for a bulk transfer and allowing YJANI members the option to retain past service within NILGOSC.

The NIAO has stated its intention to issue an unqualified opinion for 2014/15.

#### 7. SIGNIFICANT GOVERNANCE ISSUES

As noted above, NILGOSC received a qualified opinion (limitation of scope) with respect to its 2013/14 accounts on the basis of uncertainty surrounding the eligibility of membership of the employees of the Youth Justice Agency. This was reported as a significant issue through the Assurance Statements submitted to the Department during 2014/15.

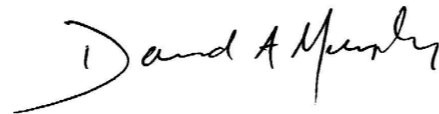
No other significant governance or internal control issues were identified

from the review of the effectiveness of the system of risk, governance and internal control for the year ended 31 March 2015 that requires reporting in this Statement.

#### 8. 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 2014/15 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

25 August 2015





# STRATEGIC REPORT

(i) ADMINISTRATION OF THE PENSION SCHEME



## BACKGROUND

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.

From 1 April 2015, a member builds up retirement pension at the rate of 1/49<sup>th</sup> pensionable pay for each year. Pension benefits in relation to membership between 1 April 2009 and 31 March 2015 were built up at the rate of 1/60<sup>th</sup> 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 1/80<sup>th</sup> (pension) and 3/80<sup>ths</sup> (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. Prior to 1 April 2009, employees' contribution rates were fixed at 6% of their pensionable remuneration (except for those who were entitled to contribute to the Scheme at 5% before 1 February 2003 and have remained in continuous employment). Tiered employee contribution rates, determined by the whole-time equivalent rate of pay, were introduced from 1 April 2009. From 1 April 2015, employee contribution rates are determined on the actual rate of pay and not the whole-time equivalent rate of pay.

The ranges for the bands for tiered contribution rates are revised by the Department of the Environment in April each year in accordance with the pensions increase. The revised bands, effective from 1 April 2014, were as follows:

BAND	RANGE	EMPLOYEE CONTRIBUTION RATE
1	£0 - £14,000	5.5%
2	£14,001 - £16,500	5.8%
3	£16,501 - £21,300	5.9%
4	£21,301 - £35,600	6.5%
5	£35,601 - £47,700	6.8%
6	£47,701 - £89,400	7.2%
7	More than £89,400	7.5%

Employers' contribution rates are determined by the Scheme's actuary every three years. Following the results of the 2013 actuarial valuation, the Committee has agreed with its actuary stable contribution rates of 20% for those employers whose participation in the Scheme is deemed to be indefinite and/or where an adequate covenant is in place.

YEAR	EMPLOYER CONTRIBUTION RATE
1 April 2014 - 31 March 2015	20%
1 April 2015 - 31 March 2016	20%
1 April 2016 - 31 March 2017	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.

## STATUS

The Scheme is a statutory public service pension scheme as defined by the Pensions Schemes Act (Northern Ireland) 1993. The Superannuation (Northern Ireland) Order 1972 gave the power to the Department of the Environment 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 provisions that relate to the 2014/15 financial year are contained in the following sets of regulations:

Effective from 1 April 2009, as amended

- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations (Northern Ireland) 2009 (SRNI 2009/32)
- Local Government Pension Scheme

(Administration) Regulations (Northern Ireland) 2009 (SRNI 2009/33)

- Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2009 (SRNI 2009/34)

Effective from 9 May 2011, as amended

- Local Government Pension Scheme (Councillors) (Amendment) Regulations (Northern Ireland) 2011 (SRNI 2011/117)

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)

The new Public Service Pensions Act (Northern Ireland) enacted on 11 March 2014 mainly came into effect on 1 April 2015. This Act sets out a common framework for the new public service pension schemes in Northern Ireland which came into effect on 1 April 2015. Further Scheme regulations were made to introduce the new Scheme from 1 April 2015. These regulations are described on pages 24 and 25.



As a public service pension scheme, the Scheme is contracted out of the State Second Pension (S2P) and is a registered public service scheme under Chapter 2 of Part 4 of the Finance Act 2004. Automatic registration was achieved by virtue of 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.

## MEMBERSHIP

The number of active, deferred and pensioner members of the Scheme continued to grow during 2014/15. At the end of 2014/15 changes took place with respect to employing authority membership as a result of cessations and mergers to form new bodies under the Review of Public Administration, in particular the formation of the new councils and the Education Authority. Some other cessations and mergers also took place during 2014/15 all of which are detailed below. For the purposes of this report, employing authority membership details as at 31 March 2015 reflect the new merged bodies.

## EMPLOYING AUTHORITIES

At 31 March 2015, there were 179 employing authorities contributing to the Scheme. These employing authorities were composed of 11 councils, 1 Education Authority, 1 library authority, 58 associated bodies, 85 schools, 9 further and higher education colleges and universities and 14 employers with restricted membership (closed to new members). A full list of these organisations can be found on pages 88 to 90.

The following employing authorities were admitted during 2014/15:

EMPLOYING AUTHORITY	DATE OF ADMISSION
Phoenix Integrated Primary School (admission agreed on 19 December 2014, retrospective to 1 January 2014)	1 January 2014
North Belfast Housing Association Limited (a new employing authority that replaced Flax and Filor Housing Associations)	1 May 2014
Antrim and Newtownabbey Borough Council	26 May 2014
Armagh, Banbridge and Craigavon District Council	26 May 2014
Belfast City Council	26 May 2014
Causeway Coast and Glens District Council	26 May 2014
Derry City and Strabane District Council	26 May 2014
Fermanagh and Omagh District Council	26 May 2014
Lisburn and Castlereagh City Council	26 May 2014
Mid and East Antrim District Council	26 May 2014
Mid Ulster District Council	26 May 2014
Newry, Mourne and Down District Council	26 May 2014
Ards and North Down Borough Council	26 May 2014
Oaklee Trinity Limited (a new employing authority that replaced Oaklee and Trinity Housing Associations)	30 June 2014
Greenwich Leisure Limited	1 January 2015
Education Authority (admission agreed on 31 March 2015 with effect from 1 April 2015)	1 April 2015

During the 2014/15 year South Ulster Housing Association Limited closed the Scheme to new members. The admission of Oaklee Trinity Limited was on a closed basis.

The following employing authorities ceased during the 2014/15 year:

EMPLOYING AUTHORITY	DATE OF CESSATION
Bloomfield Collegiate School	1 April 2014
Filor Housing Association	30 April 2014
Flax Housing Association	30 April 2014
Sports Institute Northern Ireland	30 June 2014
Trinity Housing Association	30 June 2014
Oaklee Housing Association	30 June 2014
Antrim Borough Council	31 March 2015
Ards Borough Council	31 March 2015
Armagh City and District Council	31 March 2015
Ballymena Borough Council	31 March 2015
Ballymoney Borough Council	31 March 2015
Banbridge District Council	31 March 2015
Belfast City Council	31 March 2015
Carrickfergus Borough Council	31 March 2015
Castlereagh Borough Council	31 March 2015
Coleraine Borough Council	31 March 2015
Cookstown District Council	31 March 2015
Craigavon Borough Council	31 March 2015
Down District Council	31 March 2015
Dungannon and South Tyrone Borough Council	31 March 2015
Fermanagh District Council	31 March 2015
Larne Borough Council	31 March 2015
Limavady Borough Council	31 March 2015
Lisburn City Council	31 March 2015
Derry City Council	31 March 2015
Magherafelt District Council	31 March 2015
Moyle District Council	31 March 2015
Newry and Mourne District Council	31 March 2015
Newtownabbey Borough Council	31 March 2015
North Down Borough Council	31 March 2015
Omagh District Council	31 March 2015
Strabane District Council	31 March 2015
United Dairy Farmers	31 March 2015
Northern Ireland Legal Services Commission	31 March 2015
Youth Justice Agency for Northern Ireland	31 March 2015
Belfast Education and Library Board	31 March 2015
North Eastern Education and Library Board	31 March 2015
South Eastern Education and Library Board	31 March 2015
Southern Education and Library Board	31 March 2015
Western Education and Library Board	31 March 2015
Staff Commission for Education and Library Boards	31 March 2015

## MEMBERS

Membership of the Scheme increased during the year to 109,462 members. At 31 March 2015, the Scheme consisted of 52,876 contributing members, 30,129 pensioners and 26,457 deferred members.

## 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.

Scheme pensions were increased by 2.7% with effect from 7 April 2014 in line with the September to September increase in the Consumer Price Index.

## NEW REGULATIONS

### THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS (NORTHERN IRELAND) 2014 (SRNI 2014/188) THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT AND TRANSITIONAL PROVISIONS) REGULATIONS (NORTHERN IRELAND) 2014 (SRNI 2014/189)

The Local Government Pension Scheme Regulations (Northern Ireland) 2014 were made on 27 June 2014 and The Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014 were made on 30 June 2014. Both sets of regulations are effective from 1 April 2015.

The new LGPS (NI) Scheme will be a Defined Benefit Career Average Revalued Earnings (CARE) Scheme with the key features as follows:

- Pensions will accrue at the rate of 1/49<sup>th</sup> which means that each year a member will save into their pension account an amount equal to 1/49<sup>th</sup> of the pensionable pay received in that year.
- At the end of each year a revaluation adjustment, the annual increase in the Consumer Price Index to the September of the previous year, is added to the account to ensure that the pension receives inflationary increases. The total of these becomes the opening balance for the next year.
- The contribution rate that a member pays will be determined by the employer based on their actual pensionable pay (not whole-time equivalent). Contribution rates range from 5.5% to 10.5% (six tiers).
- The definition of pensionable pay has been widened to include both

additional hours and non-contractual overtime in pensionable pay. There are specific exclusions, for example, any payment in consideration of loss of holidays.

- The qualifying period of membership for benefits to be payable has increased to two years. This also means that members can receive a refund of their contributions if they leave the Scheme within the first two years of membership.
- The normal retirement age will be the member's state pension age or age 65 if higher.
- Two years' service is required before a member can be considered for ill-health retirement.
- A member may elect to join a new 50/50 section of the Scheme and pay 50% of the contributions in return for 50% of the rate that the pension builds up. This is designed to be a short-term option for those facing financial difficulties.
- Transitional arrangements will be in place to protect members nearing retirement to ensure that they receive a pension which is at least equal to that which they would have received under the existing Scheme at the retirement age that applied to that Scheme.

Full details on the application of the new CARE Scheme are on the NILGOSC website and dedicated Scheme guides are available to download and on request.

#### **THE LOCAL GOVERNMENT PENSION SCHEME (GOVERNANCE) (AMENDMENT) REGULATIONS (NORTHERN IRELAND) 2015 (SRNI 2015/77)**

These regulations were made on 23 February 2015 and are effective from 1 April 2015. They amend the Local Government Pension Scheme Regulations 2014 to make provision for the governance arrangements of the new Scheme. In particular, they provide for the establishment of a Pensions Board to assist the Committee in complying with its legal obligations relating to the Scheme.

The Department of the Environment has since designated the NILGOSC Committee as the Pensions Board.

There is also provision for the establishment of a Scheme Advisory

Board, which advises the Department, at its request, on the desirability of making changes to the Scheme. The Department of Environment intends to reconstitute the Local Government Review Group as the Scheme Advisory Board.

#### **THE SHARED PARENTAL LEAVE AND STATUTORY SHARED PARENTAL PAY (CONSEQUENTIAL AMENDMENTS TO SUBORDINATE LEGISLATION) ORDER (NORTHERN IRELAND) 2015 (SRNI 2015/146)**

This Order, made on 12 March 2015, came into operation on 15 March 2015. It made amendments to the Scheme's secondary legislation (the Local Government Pension Scheme Regulations (NI) 2014 and the 2014 Transitional Regulations) in consequence of Part 2 of the Work and Families Act (Northern Ireland) 2015. This Act makes provision for new entitlements to shared parental leave and statutory shared parental pay in place of additional paternity leave and additional statutory paternity pay.

#### **THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT NO. 2) REGULATIONS (NORTHERN IRELAND) 2015 (SRNI 2015/162)**

These regulations were made on 16 March 2015 and came into operation from 6 April 2015. They make provision for the introduction of a cost control mechanism to the Scheme as well as making a number of minor technical amendments.

The regulations allow the Department of the Environment to appoint an actuary to carry out valuations of the Scheme for the purpose of the cost control mechanism. The Department has appointed the Government Actuary's Department (GAD) to carry out these valuations in accordance with Department of Finance and Personnel directions. The employer cost cap for the Scheme is set as 17% of the pensionable earnings of the Scheme. When the cost of the Scheme is calculated at a valuation as being more than the margins specified, 2%, above or below the cost cap the Department is to reach agreement with the Committee, employers and members

(or representatives of employers and members) as to the steps required to bring the costs back within the target cost. The Department will consult with the Scheme Advisory Board with a view to reaching agreement that is endorsed by all members of that Board. If agreement cannot be reached, the Department will take steps to adjust the accrual rate (currently set as 1/49<sup>th</sup>) so that the target cost is achieved.

#### **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. In October 2014, NILGOSC took part in the NFI 2014/15 data matching exercise.

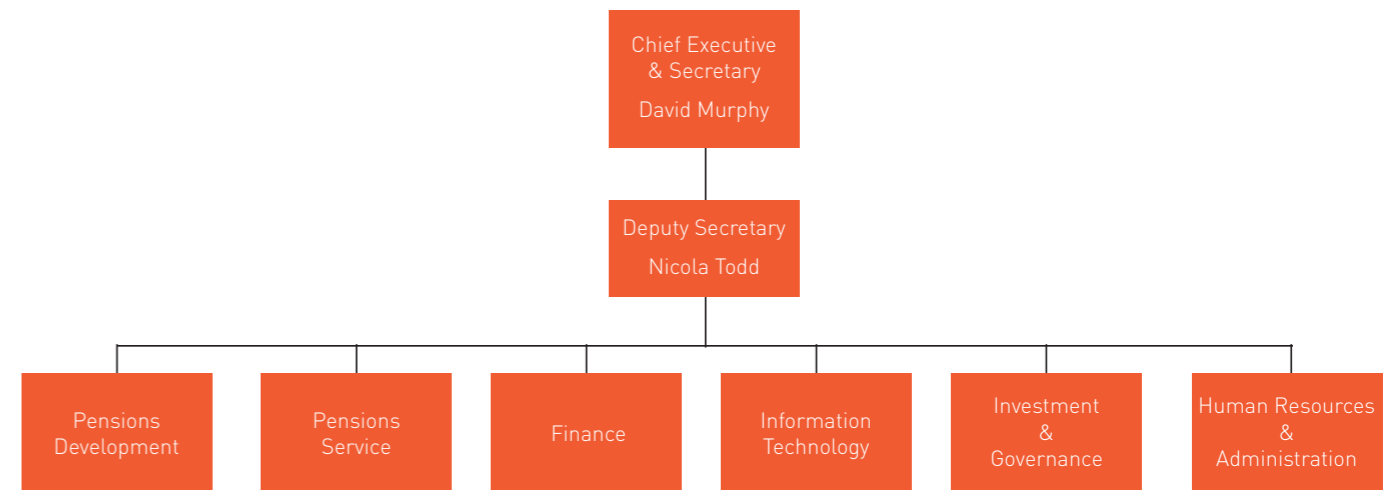
In total, 1,376 matches have been identified through the NFI 2014/15 data matching exercise. As at 31 March 2015, 26 cases, with potential overpayments totalling £10,203.90, had been identified and were being investigated. As at 31 March 2015, there were no cases of suspected or proven fraud identified through the NFI 2014/15 data matching exercise.

NILGOSC is continuing to seek recovery of all overpayments identified through the 2012/13 NFI data matching exercise which totalled £17,650.51 as at 31 March 2015.

#### **THE STAFF**

Day to day administration of the Scheme is performed by the Secretariat, who report to the Committee on a monthly basis. Led by the Chief Executive and Secretary and Deputy Secretary, over 50 experienced staff are responsible for the administration of retirement benefits and the monitoring of investments, and operate within the functions shown in the chart on the following page. In addition, a dedicated Project Manager reports directly to the Deputy Secretary.

The gender diversity of the Secretariat is shown on the following page and that of the Committee Members is shown within the Foreword.



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.

#### **STAFF DEVELOPMENT**

Training and development of staff is a key priority for NILGOSC and each year 3% of salary costs are invested in this particular area. As part of the annual appraisal process, staff are required to complete individual training plans which outline their training needs for the following twelve months. 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.

#### **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](http://www.nilgosc.org.uk). The guides and booklets available are as follows:

- Member Guide to the Local Government Pension Scheme (Northern Ireland)
- Welcome to the Local Government Pension Scheme (Northern Ireland)
- 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
- AVC Guide

- 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 0870 600 5522. The Regulations are also available online at [www.legislation.gov.uk](http://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

#### **SATISFACTION SURVEY**

A Stakeholder Satisfaction Survey for the year 2014/2015 was carried out in May 2015. Surveys were drawn up for members, deferred members and pensioners, relevant to the service they receive from NILGOSC. A sample was compiled to include customers who have used our service during the year, as well as a random sample. Member and deferred member surveys were completed online and pensioners' surveys were split between online and

in hard copy via the post. Approximately 3,000 surveys were sent and the response rate averaged at 22%.

In addition, online surveys were also sent to all 179 employing authorities. A total of 65 employers responded to the survey, a response rate of 36%.

Key focuses for the surveys were:

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

Overall satisfaction levels ranged from 78% of deferred members to 98% of pensioners and employing authorities who rated their overall satisfaction with the service they received as being good or excellent. The total overall satisfaction rate for all respondents was 91.5%, a decrease on last year's overall rating of 93%. Of all responses received from members, deferred members and pensioners, only 1% rated their overall satisfaction as below average, showing no change from the 2013/14 survey.

#### **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. 80% of respondents rated NILGOSC communications as being good or excellent.



## CUSTOMER SERVICE

As with previous years, staff courtesy and professionalism was ranked highest across all groups with an average of 4.6 out of 5.

## WEBSITE AND ONLINE COMMUNICATIONS

Elements of the website ranked included relevance of information, ease of understanding and ease of finding information required. 89% of respondents rated these categories as good or excellent. 93% of active members also advised that they would use an online facility allowing them to check the value of pension benefits, update personal details and request quotes if this service was available.

The information gathered on the website, social media and email communications section will enable NILGOSC to identify

alternative communication methods currently being used by members, enabling communications to be adapted to meet their changing needs.

## PERFORMANCE STANDARDS

In May 1997, the Management Committee first approved a set of service standards for the activities carried out by the Committee. Since then, these standards have been reviewed annually and are monitored by the Committee. Compliance with the performance standards for 2014/15 and the reporting system was tested by the internal auditor, ASM, on a random sample basis. The following is a summary of the standards achieved during 2014/15.

TASK	STANDARD (WORKING DAYS)	TARGET	WITHIN STANDARD
Lump sum retirement payments	10 days	90%	86.8%
Death grant payments	10 days	90%	93.3%
Leaver options notifications	20 days	90%	71.6%
Refund payments	10 days	95%	86.6%
Transfer out quotations	20 days	90%	88.0%
Transfer out payments	10 days	90%	84.3%
Transfer in quotations	10 days	90%	88.8%
Transfer in confirmations	20 days	90%	95.4%
New entrants certificates	20 days	95%	81.8%
Correspondence	10 days	95%	91.2%
Benefit quotation requests	10 days	90%	91.3%
Issue members' annual report	by 30 November	100%	100.0%
Issue members' annual benefit statement	Within 6 months of year end, unless relevant data unavailable	100%	100.0%
Pensions paid each month	Last banking day of month	100%	100.0%
P60s issued to all pensioners	By 31 May	100%	100.0%

It is acknowledged that target performance was not met for 8 of the 15 performance standards. Performance deteriorated during 2014/15 as a result of preparation for the new CARE Scheme, system changes due to a move from paper to electronic records, migration to a new pension administration software system and an increase in the volume of queries from employing authorities and members due to the changes to the Scheme.

## 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 2015, the cost per member adjusted for inflation remained in line with previous years.

YEAR ENDED 31 MARCH	TOTAL MEMBERS	NUMBER OF STAFF	MEMBERS/STAFF	ADMIN EXPENSES £'000	COST/MEMBER £	COST ADJUSTED FOR INFLATION £
2006	74,688	43	1,737	1,771	23.71	29.71
2007	78,511	41	1,915	2,032	25.87	31.69
2008	82,716	41	2,017	2,062	24.93	29.47
2009	86,812	46	1,887	2,353	27.10	31.35
2010	88,568	50	1,771	2,659	30.02	33.62
2011	90,667	50	1,813	1,950	21.51*	23.05*
2012	92,761	49	1,893	2,357	25.40**	26.48**
2013	95,382	50	1,908	2,892	30.32	30.81
2014	103,382	53	1,951	3,112	30.10	30.10
2015	109,462	58	1,887	3,267	29.85	29.85

\* In 2011, in accordance with IAS 19, Admin Expenses include a negative Past Service Cost of £868,000 arising from the change from RPI to CPI in uprating index-linked features of post employment benefits. The cost per member in 2011 excluding the negative Past Service Cost of £868,000 was £31.08, which is £33.31 when adjusted for inflation.

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

## 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 contact the employer as they will have a policy in place to address complaints and disputes.

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

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

stage one review is NILGOSC's Secretary, Deputy Secretary or Acting Secretary.

If the individual is unhappy with the decision made by the Secretary at the stage one review, he/she 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 individual receiving 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 Ombudsman.

NILGOSC received 29 ill-health retirement benefit appeals, 6 formal complaints and 3 informal complaints during 2014/15, a total of 38 appeals/complaints. Of the 29 ill-health retirement benefit appeals, 4 progressed to stage two reviews, 2 of which were upheld. 1 of the 6 formal complaints progressed to a stage two review and was not upheld at this stage.

NILGOSC regularly monitors the nature of complaints to ensure appropriate action is taken if required and this is a standing quarterly 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 2014/15

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 2015/16 – 2017/18 Corporate Plan can be downloaded from the NILGOSC website at [www.nilgosc.org.uk](http://www.nilgosc.org.uk). As can be seen from the following table, a significant proportion of the 2014/15 Corporate Plan was completed or on target at 31 March 2015.

**1. TO CONTINUE TO PROVIDE A LEVEL OF SERVICE NEEDED TO COMPLY WITH THE PENSION SCHEME REGULATIONS, GOOD PRACTICE, OTHER LEGISLATION AND STAKEHOLDER EXPECTATIONS.**

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2015	STATUS
1.1 To pay member's pension benefits, refunds and transfers promptly	1.1.1 To pay monthly pensions promptly and accurately	Paid by last banking day of the month	100% of pensions paid by last banking day	Achieved
	1.1.2 To pay pension lump sums promptly and accurately	Within 10 working days of the receipt of the relevant details	87% of lump sum payments made within target, average time taken - 8 days	Substantially Achieved
	1.1.3 To pay refunds of contributions promptly and accurately	Within 10 working days of receiving a valid application	87% of refunds paid within target, average time taken - 9 days	Substantially Achieved
	1.1.4 To pay transfer payments promptly and accurately	Pay the cash equivalent within 10 working days of receiving authority	84% of transfer out payments within target, average time taken - 7 days	Substantially 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	Average of 6 employing authorities paid late per month. Credit Control Policy and Procedures applied and letters/late payment invoices issued as required.	Substantially Achieved
	1.2.2 To reconcile contributions received and service credited annually	For 100% of employers by 31 December	204 out of 204 annual returns reconciled	Achieved
	1.2.3 To credit service on receipt of transfers into the Scheme promptly	Provide confirmation within 20 working days of receiving the transfer payment	95% of transfer in confirmations processed within target, average time taken - 11 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	100% carried out within 20 working days	Achieved
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	91% of correspondence responded to within target, average time taken - 4 days	Substantially 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	72% of early leaver notifications processed within target, average time taken - 19 days	Moderately Behind Target
	1.3.3 To provide members with benefit quotations on request	Benefit quotations issued within 10 working days	91% of benefit quotations issued within target, average time taken - 5 days	Achieved
	1.3.4 To provide members and deferred members with benefit statements	Benefit statements issued within 6 months of year end unless relevant data unavailable	Deferred statements issued in July 2014. 45,228 active statements were issued in August/September 2014	Achieved

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2015	STATUS
	1.3.5 To provide an estimate of a cash equivalent transfer value	Within 20 working days of receipt of relevant details	88% of transfer out quotations processed within target, average time taken - 12 days	Substantially 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 relevant proof of title	91% dependants' pensions paid within target, average time taken - 6 days	Achieved
	1.4.2 To pay death grants promptly	Within 10 working days of receipt of relevant proof of title	93% of death grants paid within target, average time taken - 3 days	Achieved
1.5 To ensure that all necessary action is taken on any change to pension scheme rules	1.5.1 Ensure that processes change to reflect regulation changes	Complete changes within 3 months of regulations made	Shared Parental Leave and Statutory Shared Parental Pay (Consequential Amendments to Subordinate Legislation) Order (NI) 2015 made on 12 March 2015 and operational from 15 March 2015.	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 briefed on the Shared Parental Leave regulations. See 1.5.5 for action re LGPS 2015.	Achieved
	1.5.3 To have administration systems updated for any new or amended regulations	To have software tested and installed and to have new forms and procedures developed within 3 months of regulations made	No amending regulations, apart from LGPS 2015 that required software, form and procedural amendments. See 1.5.5 for LGPS 2015 actions.	Achieved
	1.5.4 To train relevant staff on the LGPS 2015 scheme	Relevant staff trained on LGPS 2015 scheme within 3 months of regulations made	All staff had practitioner training on 9 & 10 October 2014 and refresher training on 10 March 2015.	Substantially Achieved
	1.5.5 To have administration systems updated for the LGPS 2015 scheme and all necessary procedures in place to administer the scheme	To have new software tested and installed, to have new forms and procedures developed within 3 months of regulations made	The new software was tested and installed by 10 March 2015 and all forms rewritten. Due to late receipt of GAD guidance and final software, procedures were updated according to priority. Further programming needed for transfer calculations and councillors.	Substantially Achieved



BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2015	STATUS
	1.5.6 To issue guidance to employers on the LGPS 2015 scheme including changes to the contribution rates where appropriate	To have prepared and distributed guidance on the LGPS 2015 scheme within 3 months of confirmation of the Department of the Environment's intentions	Two circulars were issued to all employers advising of changes to the Scheme. Employers attended LGPS 2015 training sessions 24 & 30 October and 12 November 2014. Further discretionary policy training was provided to employers in January 2015. HR, Payroll and Employers' Guides were issued.	Achieved
	1.5.7 To monitor and improve data quality and ensure common data quality meets TPR standards	100% accuracy for post June 2010 data. 95% legacy data deemed adequate	Post June 2010 data accuracy – 99.74% Legacy record data accuracy - 99.7%	Substantially Achieved
1.6 To ensure that systems and procedures comply with relevant legislation	1.6.1 To respond to Data Protection (DP) and Freedom of Information (FOI) requests	Within 40 days (DP) or 20 days (FOI) of request	8 FOI requests (plus 3 DoE inputs) and 38 subject access requests (SARs) received to 31 March 2015. All requests responded to within the deadline.	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	100% of appraisals (including identification of training needs) were completed and returned by 30 June 2014. Approximately 2,510 hours of training was completed in the year, including over and above training identified through the appraisal process.	Substantially Achieved
	1.7.2 To undertake a review of effectiveness of revised structure and job evaluation exercise	Review completed by 30 September 2015	Not due in current planning year	On Target
	1.7.3 To undertake a review of the existing recruitment process and documentation	Review completed by 31 March 2015	Documentation reviewed and a revised application form is being trialled for a number of recruitment exercises.	Achieved
	1.7.4 To introduce an employee assistance program	Program in place by 31 March 2015	Employee Assistance Program rolled out and operational from December 2014.	Achieved

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2015	STATUS
1.8 To ensure that the office environment is adequate to meet the growing needs of stakeholders and staff	1.8.1 To maintain and improve office facilities to meet the ongoing needs of stakeholders and staff	Full office refurbishment completed by 31 March 2016	Phase 1 completed in November 2014. Project Manager has taken ownership of this project and a revised completion date included in 2015/16 Corporate Plan. Progress is in line with revised date.	Moderately Behind Target
1.9 To update address information of those members who have not informed NILGOSC of address changes	1.9.1 To use external databases/tracing services to track down members with missing address information	To update address information within 10 working days	95% of address changes processed within target, average time taken - 3 days	Achieved

## 2. TO MAINTAIN AN EFFECTIVE INVESTMENT STRATEGY IN LINE WITH THE ACTUARIAL PROFILE OF THE FUND.

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2015	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 2017	Not due in current planning year	On Target
	2.1.2 To ensure employer contribution rates for 2014/15 implemented	Collect minimum contributions due under current Rates and Adjustment certificate	All employers with a change in contribution rate for 2014/15 have confirmed they are paying the correct rate	Achieved
2.2 To invest scheme funds in accordance with the Statement of Investment Principles	2.2.1 To achieve investment performance in line with targets	NILGOSC fund target	3 year and 5 year return to 31 March 2015 was ahead of fund target of CPI+5% by 6.08% and 2.62% respectively	Achieved
	2.2.2 To monitor and regulate investment management	That no manager breaches investment guidelines and that underperformance is promptly addressed	At 31 March 2015 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	Commission Recapture: £2,121.75 to 28 February 2015; Stocklending: £281,105.58 to 28 February 2015; Class Actions: £19,333.94 to 31 March 2015.	Achieved

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2015	STATUS
2.3 To understand and adopt good practice in Public Sector fund management	2.3.1 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	Votes cast at all 704 meetings where research allowed an informed decision to be made. 128 engagement letters issued to UK and European companies. £19,333.94 recovered through class actions.	Achieved
	2.3.2 To undertake a review of the sustainability of the fund including future funding mechanisms	Review complete by March 2016	Individual employer data gathered and covenant strength assessed. Initial discussion with Actuary took place in March 2015.	On Target
	2.3.3 Review Statement of Investment Principles (SIP) and Funding Strategy Statement (FSS)	Revise FSS and revise SIP when necessary	The SIP was last updated and approved by the Committee on 29 April 2014	Achieved
	2.3.4 To review employer covenants and address weaknesses	Weaknesses addressed by March 2015	Preliminary assessment of scheme employers completed in February 2015. Identified weaknesses to be addressed in early 2015/16.	Moderately Behind Target

### 3. TO PROMOTE THE SCHEME AND INFORM MEMBERS AND EMPLOYERS OF THEIR PENSION OPTIONS.

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2015	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	Increase Scheme membership by 10% between April 2012 and March 2015	Membership at April 2012 was 44,030. Membership at 31 March 2015 was 52,876, representing an increase of 20%.	Achieved
3.2 To provide general Scheme information to Scheme employers, their employees, members and pensioners through active engagement	3.2.1 Publish comprehensive Scheme literature and guidance	Within 3 months of Scheme changes	All Scheme literature and guidance was published by 31 March 2015	Achieved
	3.2.2 Provide employee and employer seminars	Employer satisfaction rating as measured through annual satisfaction survey	26 seminars conducted - 3 for councillors, 10 retirement, 11 LGPS 2015 and automatic enrolment and 2 on RPA and Severance	Achieved

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2015	STATUS
	3.2.3 To lay the annual report in the NI Assembly	In accordance with date agreed with Department	2013/14 Annual Report and Accounts laid with the NI Assembly on 8 September 2014	Achieved
	3.2.4 To implement the Communications Strategy	Actions completed in line with target dates	Pension Benefit Statements issued on time, videos added to the website, literature updated and circulated to employers	Substantially Achieved
3.3 To provide members and employers with specific details of regulation changes	3.3.1 Communication of any regulation changes	Within 3 months of regulations being made	See 3.3.3 for LGPS 2015 actions	Achieved
	3.3.2 To advise all new members of the benefits of the pension scheme	Issue guidance to new scheme members and membership certificates within 20 working days of receipt	82% of new members processed within target, average time taken - 2 days	Moderately Behind Target
	3.3.3 To brief members and employers on the LGPS 2015	Communications issued within 3 months of regulations made	Two circulars were issued to all employers advising of the 2015 changes. Employer training seminars in Autumn 2014 had 306 attendees. Further employer training on discretions had 184 attendees.	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 RPA affected bodies and staff to explain pension implications of RPA transfers	Meetings with bodies, advice given to members, satisfaction with NILGOSC service. Representation on working groups	Meetings and communications ongoing with affected bodies and the Local Government Staff Commission	Achieved
	3.4.2 Determine the implications of Local Government reorganisation on the ability to deliver a pension service	Produce a staff plan within 3 months of RPA decisions being made	Under continuous review. The impact of public sector reorganisation on staffing levels has been assessed and recruitment for additional resources has commenced.	Achieved

### 4. TO INFLUENCE THE FUTURE OF THE LOCAL GOVERNMENT PENSION SCHEME.

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2015	STATUS
4.1 To respond to consultation on changes to the LGPS and actively contribute to consultee groups	4.1.1 To ensure that employers are aware of potential scheme changes	All employers informed of key potential scheme changes	Employers informed of key potential scheme changes	Achieved
	4.1.2 To respond to Government consultation exercises	By consultation reply date	All relevant consultations responded to directly or indirectly	Achieved



BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2015	STATUS
	4.1.3 To respond to Department of the Environment consultation exercises	By consultation reply date	All relevant consultations responded to directly	Achieved
	4.1.4 To contribute to consultee groups eg NAPF, LGPC, LAPFF etc	To have representation on all groups	Representation has continued to date	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	Major issue to date was HMRC registration which has been resolved	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	DOE made latest Regulations which reflected advice from NILGOSC. Further lobbying for improvements continuing.	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 2015	STATUS
5.1 To maintain corporate governance arrangements appropriate for a public body	5.1.1 Respond to External Auditor letters	Within 10 working days	External Auditor letter responded to within 3 working days	Achieved
	5.1.2 Review of NILGOSC Internal Controls	Annually by 31 March	Governance Statement published in September 2014	Achieved
	5.1.3 Participate in NFI exercise and biannual mortality tracing exercise	Identify invalid payments and recoup losses	The 2012/13 NFI and mortality tracing exercises were closed in January 2015 with the recovery of outstanding amounts ongoing. The matches in respect of the 2014/15 NFI exercise were released in January 2015. Almost 50% of the matches were closed by 31 March 2015, investigation is ongoing in respect of the open cases.	Achieved
	5.1.4 To test Business Continuity procedures and ensure effective	Annual test of Business Continuity Plan	The annual test of the BCP was undertaken on 27 March 2015. One element failed and was rectified and retested on 3 April 2015.	Substantially Achieved

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2015	STATUS
	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 2014/15 risk register was agreed by the SMT, the Audit & Risk Assurance Committee (ARAC) and the Management Committee. The risk register was reviewed each quarter and actions were taken to mitigate identified risks.	Achieved
	5.1.6 To undertake a triennial review of the Organisation's Strategic Objectives	Review undertaken by 31 December 2015 to inform the 2016/17 Corporate Plan	Not due in current planning period	On Target
	5.1.7 To undertake the retendering of goods and services	Tenders completed in line with procurement schedule	A Procurement Schedule is in place and tenders were planned/completed in line with the Procurement Schedule during 2014/15.	Achieved
	5.1.8 To ensure that all Committee members undertake appropriate training, including induction training, in line with good practice.	Each member has undertaken 40 hours of training/ development per annum. Induction completed within 2 months of appointment.	Committee members completed 520 hours of training, resulting in the Committee as a whole meeting its target. Twelve members met their full or pro-rata target and one member did not meet their target.	Substantially Achieved
5.2 To introduce IT developments and other procedures in order to improve efficiency	5.2.1 Implementation of an Electronic Document Records Management System	System installed and operational in line with project plan	Project plan kept under review to facilitate change in pension administration software and new scheme	On Target
	5.2.2 To undertake a back scanning exercise for paper based records	100% members files and paper based records held electronically by December 2014	99.8% member files scanned as at 31 December 2014. Remaining 0.2% member files and certain corporate records scanned by 31 March 2015.	Substantially Achieved
	5.2.3 To collect member email addresses, automate email address updating and preferencing, and use email for publications if desired by the member	To start using email addresses for bulk publications by March 2016	Email addresses collected for active members and existing email addresses validated for deferred members and pensioners. Currently hold email addresses for 9,378 active members, 3,420 deferred members and 842 pensioners. 12,177 members were emailed their annual newsletters in November 2014.	On Target

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2015	STATUS
	5.2.4 To replace the existing telephone system	New system operational by 30 September 2014	New phone system installed and operational by July 2014	Achieved
	5.2.5 To effectively manage the transition to an alternative pension administration system	Transition completed in line with project plan	Project completed in December 2014	Substantially Achieved
	5.2.6 To undertake an appraisal of requirements and subsequent implementation of system to allow for direct access to services by members.	Appraisal completed by 31 March 2015. Implementation complete by 31 March 2016.	An appraisal was completed and it recommended that this system should be sought as part of the procurement for pensions administration software.	Substantially Achieved
5.3 To manage change in an effective and timely manner	5.3.1 To issue an internal newsletter to improve and promote staff communication	Newsletter issued quarterly	Issued June, September, December and March	Achieved
	5.3.2 To establish project groups to manage projects in a timely and effective manner	Projects managed in accordance with PRINCE 2 methodology and in line with project timetable	EDRMS and Altair projects being managed in line with best practice. Altair migration successfully completed in December 2014.	On Target

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2015	STATUS
	6.3.2 To submit s75 Annual Progress Report to include publication of EQIA monitoring information	Submission to Equality Scheme by 31 August 2014	The s75 Annual Progress Report, including publication of EQIA monitoring information, was submitted (both via post and e-mail) to the Equality Commission within deadline on 12 August 2014	Achieved

#### STATUS KEY

Achieved: Target met  
 Substantially Achieved: Achieved greater than 90% of target  
 On Target: Progress in line with plan  
 Moderately Behind Target: Achieved between 75% and 90% of target

### 6. TO BE COMMITTED TO THE NEED TO PROMOTE EQUALITY OF OPPORTUNITY, THE DESIRABILITY OF PROMOTING GOOD RELATIONS AND THE FULFILMENT OF THE SECTION 75 OBLIGATIONS.

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2015	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	Ten policies were screened during the year ended 31 March 2015. No EQIAs were deemed necessary.	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 16 April 2014	Report prepared by 16 April 2014	Achieved
	6.2.2 To record annual recruitment monitoring information	Report submitted by 1 May each year	Report for the year to 1 January 2014 submitted in advance of 1 May 14 deadline on 22 January 2014	Achieved
6.3 To ensure that NILGOSC meets or exceeds best practice as set out by the Equality Commission	6.3.1 To implement the Equality Scheme Action Plan 2012/13-2014/15	Actions completed in line with plan	Progress against the action plan was reviewed for the periods ended 30 September 2014 and 31 March 2015	Achieved



## ANNUAL EQUALITY STATEMENT YEAR END 31 MARCH 2015

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

### OUR COMMITMENT

The Committee 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 2014/15 and the equality agenda continues to be promoted and supported by the most senior levels of the organisation.

The NILGOSC Corporate Plan for 2014/15 included objectives relating to equality and community relations. The Senior Management Team has monitored the implementation of these objectives on a quarterly basis.

### IMPLEMENTATION OF THE EQUALITY SCHEME

NILGOSC's Equality Scheme was last approved by the Equality Commission on 25 July 2012. NILGOSC carried out its duties in relation to the Equality Scheme throughout 2014/15 to ensure that its policies and procedures are fair and lawful and implemented a number of

the actions set out in the Action Plan for 2012 to 2015. Some of the actions that have been taken or that are in progress include:

- An Audit of Inequalities was carried out between November 2014 and March 2015 to identify any inequalities that exist for those affected by the functions and policies of the pension scheme. The results were used to inform NILGOSC's draft Equality Scheme Action Plan 2015 to 2018. The draft Action Plan will be issued for consultation and, after consultation, will be submitted to the Equality Commission for approval.
- NILGOSC has continued to record the key reasons for members leaving the Scheme to try and identify any patterns which may indicate potential inequalities. This data was also incorporated into the Audit of Inequalities.
- Monitoring data had been collected in January 2014 in respect of NILGOSC staff and Committee members. The Department of the Environment was advised on 30 April 2014 of the Committee composition and the underrepresentation of certain Section 75 groups.
- Following on from the review of staff monitoring data collected in January 2014, recruitment advertising continues to target underrepresented groups by welcoming applications from those in the 41-60 year old age group, males and Roman Catholics.
- An Alternative Communications leaflet is included with all retirement claim forms issued. The leaflet includes headline information in alternative formats and languages. As at 31 March 2015, there are 49 individuals to whom NILGOSC sends information in an alternative format.
- Equality awareness training is provided for new members of staff through the induction process.
- Equality and Good Relations training was provided to the Committee at its annual training event on 9 April 2014.
- NILGOSC is preparing a document outlining the inequalities inherent

in the Local Government Pension Scheme Regulations (Northern Ireland) 2014 with a view to sending this document to the Department of the Environment in early 2015/16 for consideration.

- A staff survey has been drafted and will be issued during the 2015/16 financial year. The results of the survey will be used to help identify any actions that could promote improved good relations among staff.

In line with its Equality Scheme, NILGOSC carried out screening of any new or revised policies for equality impacts during 2014/15 and published quarterly screening reports on the website.

NILGOSC did not receive any complaints relating to equality issues in the 2014/15 year and 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: 0845 308 7345

Typetalk: 18001 0845 308 7345  
(for people using a textphone)

Fax: 0845 308 7344

Email: [info@nilgosc.org.uk](mailto:info@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](http://www.nilgosc.org.uk/equality-scheme).



# STRATEGIC REPORT

(ii) INVESTMENT OF THE FUND



## STRATEGIC REPORT: (ii) INVESTMENT OF THE FUND

### BACKGROUND

The Regulations require NILGOSC to maintain a fund to provide for the payment of current and prospective benefits to members of the Scheme. In order to ensure that this objective is achieved, NILGOSC must determine a suitable investment strategy, which provides both a high return on investments and 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 2015 is included on pages 79 and 80.

### 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. The SIP is reviewed on at least an annual basis to ensure it remains relevant and up-to-date. Copies of the SIP are available on request or can be downloaded from the NILGOSC website at [www.nilgosc.org.uk](http://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 latest actuarial valuation assumes a prudent investment return of CPI +2.9% (or Retail Price Index [RPI] +2%). In order to reduce the funding deficit, the aim of the Fund is to achieve investment returns above this level. Therefore, the overall investment target is to exceed CPI by 5% per annum, to be measured over a three and five year period.

### 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 reviews the Fund's asset allocation on an annual basis at a meeting, which is attended by all the fund managers, the Fund's actuary and investment advisor. 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 following table sets out the Fund's strategic asset allocation as at 31 March 2015 and the target allocation to be implemented over the medium term. It also sets out the approximate assumptions made about the real return for each asset class in determining the strategy as at 31 March 2015.

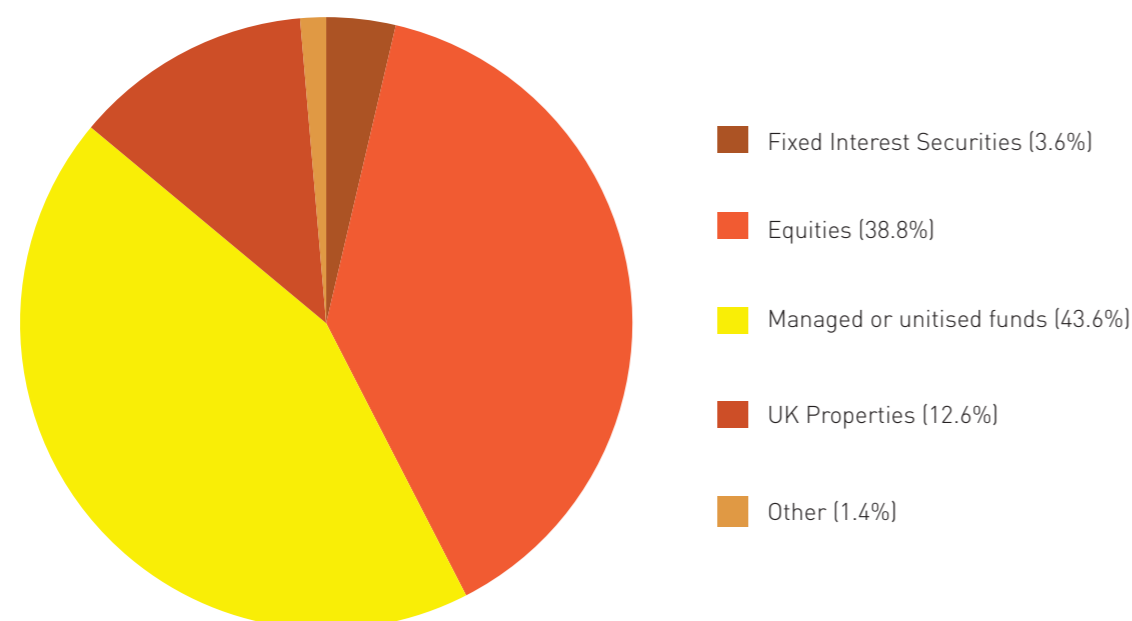


ASSET CLASS	CURRENT WEIGHTING %	TARGET WEIGHTING %	REAL RETURN % p.a.*
UK Equities	22.1	17.5	5.0
Overseas Equities	51.5	50.0	4.5
Index-linked Gilts	3.3	3.5	0.0
Fixed Bonds	8.4	9.0	1.25
Property - Core	8.5	10.0	4.0
Property - Index-linked	4.1	5.0	3.0
Alternatives	0.2	5.0	N/A

\* The real return figures are based on Aon Hewitt's 10 year forward-looking assumptions for each asset class and have been adjusted for its CPI assumption of 1.9% per annum.

The actual asset allocation as at 31 March 2015 is illustrated in the diagram below:

### FUND ASSET ALLOCATION AT 31 MARCH 2015



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](http://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 reviewed each year and the investment strategy will be reviewed as necessary.

### FUND MANAGERS

Based on the types of asset class in which NILGOSC wishes to invest, a range of fund managers have been appointed to manage particular types of asset class depending on their areas of expertise. The following table sets out the fund managers in place to manage NILGOSC's investment portfolio as at 31 March 2015 and details the type and percentage of assets under management with each of the fund managers.

ASSET CLASS	FUND MANAGER	% OF TOTAL FUND
UK Equities	Baillie Gifford	8.2%
UK Unconstrained Equities	BlackRock Investment Management Jupiter Asset Management	6.6% 6.7%
Global Equities	Wellington Management	6.7%
Global Unconstrained Equities	Baillie Gifford Edinburgh Partners	6.3% 5.3%
Passive Funds	Legal & General Investment Management	43.6%
Bonds	Wellington Management	3.8%
Traditional Property	LaSalle Investment Management	8.5%
Index Linked Property	LaSalle Investment Management	4.1%
Infrastructure	Antin Infrastructure Partners KKR Global Infrastructure Investors*	0.2% 0.0%

\*NILGOSC committed to invest £40m with KKR Global Infrastructure Investors during 2014/15 however there were no funds drawn down as at 31 March 2015.

Each fund manager has been given a performance target and asset allocation ranges compiled by NILGOSC, using indices applicable to the asset type and geographic market. The standard target and benchmark for each asset class of the fund as at 31 March 2015 is shown in the following table:

ASSET CLASS	WEIGHT	TARGET/BENCHMARK INDICES (outperformance shown per annum)
<b>UK Equities</b>	<b>25.0%</b>	FTSE All Share Index FTSE All Share Index + 2% FTSE All Share Index + 4% FTSE All World UK + 2% FTSE All World UK + 3% MSCI All Countries World UK + 3%
<b>Overseas Equities</b>	<b>50.0%</b>	FTSE All World Developed Index (ex UK) + 2% FTSE All World Index (ex UK) + 3% MSCI All Countries World Index (ex UK) + 3% FTSE All World North America Index FTSE All World Developed Europe ex UK FTSE All World Japan FTSE All World Developed Asia Pacific ex Japan FTSE All World All Emerging
<b>Bonds</b>	<b>12.5%</b>	
Fixed Bonds	9.0%	Barclays Capital Global Aggregate Bond Index + 0.75% iBoxx £ Non-Gilt ex BBB
Index-linked Gilts	3.5%	FTA Index Linked > 5 Years
<b>Index-linked Property</b>	<b>2.5%</b>	Retail Price Index (RPI)
<b>Traditional Property</b>	<b>10.0%</b>	IPD Quarterly Universe +1%
<b>Infrastructure</b>	<b>0.0%</b>	CPI + 5%
<b>Total</b>	<b>100%</b>	

Source: HSBC

NILGOSC's passive manager, Legal & General is responsible for maintaining the asset allocation within the agreed ranges. When a range is breached, Legal & General will rebalance the Fund back within the agreed tolerance.

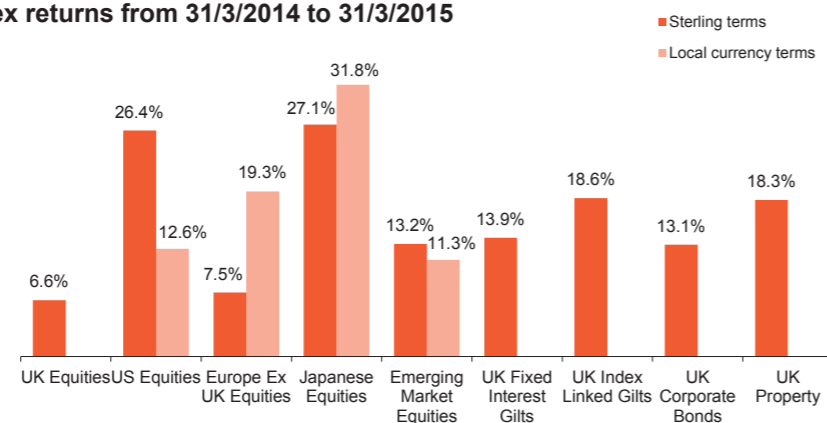
NILGOSC monitors its fund managers through reports produced by the Officers, the investment advisers and the performance measurer, who is NILGOSC's appointed global custodian, HSBC. Specifically, reports showing the financial performance of each investment manager and at the overall Fund level are provided by HSBC. Each manager is remunerated on a fee basis, dependent on the market value of the portfolio and in some cases the level of performance achieved. These structures have been established in order to align the interests of the fund managers with those of the Fund.

All of NILGOSC's active managers work to long-term investment horizons, the minimum of which is three years and accordingly, NILGOSC is not unduly concerned with short term performance returns. A robust quarterly investment monitoring process is in place, which aims to look behind returns to see the underlying cause of any underperformance. In addition to monitoring financial returns, NILGOSC also reviews a number of important qualitative factors such as investment style and team, business strength, risk management and the level of assets under management. NILGOSC also takes advice from its investment advisor, Aon Hewitt, and so remains confident 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

The following graph summarises the index returns on the main asset classes/regions for the year to 31 March 2015. Returns are shown in sterling terms and local currency terms.

Index returns from 31/3/2014 to 31/3/2015



Source: Datastream/IPD

Markets posted solid returns over the year to 31 March 2015, although as the graph above shows there was a sizeable difference between equity regions. Bonds and property also delivered positive returns.

Strong US economic growth was a key driver to the positive performance. The US Federal Bank also stopped buying assets in October 2014 which was well received by the market. The Japanese equity market benefited from the Bank of Japan injecting money into the economy (known as quantitative easing [QE]) in response to weak economic data. Injecting money into the economy aims to provide some stimulus. In Europe, the European Central Bank (ECB) announced new stimulus measures including three interest rate cuts to fight weak growth and deflationary concerns in the Eurozone.

Inflation generally remained very low in the major economies over the last year. The oil price fell dramatically by almost 50% over the second half of 2014. Whilst this helped some businesses in terms of reduced transportation and energy costs, it hurt others that are reliant on strong oil prices. As a result, falling oil and commodity prices had a somewhat negative impact on equity markets as it sparked fear that global demand may be unexpectedly weak.

Markets were volatile over the period partly due to the oil price falls and increase in geopolitical tensions making investors nervous. Tensions in the Ukraine surfaced in early 2014, leading to western sanctions against Russia. Later, an uprising in Iraq added to geopolitical tensions. These uncertainties brought volatility to markets.

## EQUITIES

The UK equity market delivered the lowest return amongst regional equities, returning a relatively weak 6.6% over the year. The UK market performance was adversely affected by the ailing Eurozone economy and the falling oil price due to the UK market's sizeable energy component. The healthcare sector produced the strongest returns (21.1%), whilst basic materials (-11.8%) and oil & gas (-10.5%) were the worst performing sectors. Healthcare was also the best performing sector for global equities with the oil & gas sector providing the lowest return.

US equity returns were fairly strong despite investors having to make adjustments to the prospect of less supportive monetary policy. At the start of the twelve month period, an improving economic outlook for the US pushed US equities to repeatedly reach record highs through May and June 2014. However, US equities started to struggle towards the end of the twelve month period due to concerns over corporate profits. The US dollar strengthened on the back of its stronger economy and the prospect of higher interest rates, which enhanced returns for sterling based investors.

European equities returned 19.3% in local currency terms whilst euro weakness dragged the sterling return down to 7.5%. Most of this strong performance came in towards the end of 2014 and early 2015 upon the anticipation and eventual confirmation of quantitative easing by the ECB. Japanese equities performed very strongly, boosted by domestic equity buying and additional quantitative easing, even as the economy fell into recession.

Emerging markets performance was strong in absolute terms but lacklustre compared to most developed markets returning 11.3% in local currency terms (13.2% in sterling terms). This underperformance was partly caused by ongoing uncertainty over China's growth and continued weak commodity prices.

## BONDS

Global government bonds performed well during the twelve month period to the end of March 2015 amid falling interest rates and government bond yields (the income return on the bond) falling drastically, particularly for government bonds with longer dated maturities. As a result longer dated government bonds performed better than those with shorter term maturities.

UK fixed gilts (bonds issued by the British Government for a fixed period in return for a fixed rate of interest) returned 13.9% and index-linked gilts (bonds issued by the British Government and linked to inflation) returned 18.6% benefiting from their longer maturity profile. US Treasuries (securities issued by the US Treasury) also performed

strongly on the back of declining yields.

Globally, most corporate bonds posted positive absolute returns as credit spreads (the difference between the yields on non-government bonds and equivalent maturity government bonds) for global bonds narrowed slightly over the year. The narrowing of the credit spread together with the steep decline in underlying government bond yields contributed to the positive performance of global bonds. However, given the shorter maturity profile of corporate bonds, the returns were generally lower than government bonds. In the UK, corporate bonds returned 13.1% which was slightly less than both fixed and index-linked government bonds. The credit spread for the more secure AAA-rated issues narrowed the most, resulting in these bonds outperforming lower rated bonds.

## PROPERTY

UK commercial property performance was strong with returns of 18.3% over the 12 month period. Performance was driven predominantly by capital growth (increase in the value of the assets

over time) which continued to be very good as property valuations continued to rise on the back of high transaction activity. Rental growth was also positive. The rate of rental value growth across all UK property sectors has also seen significant improvement.

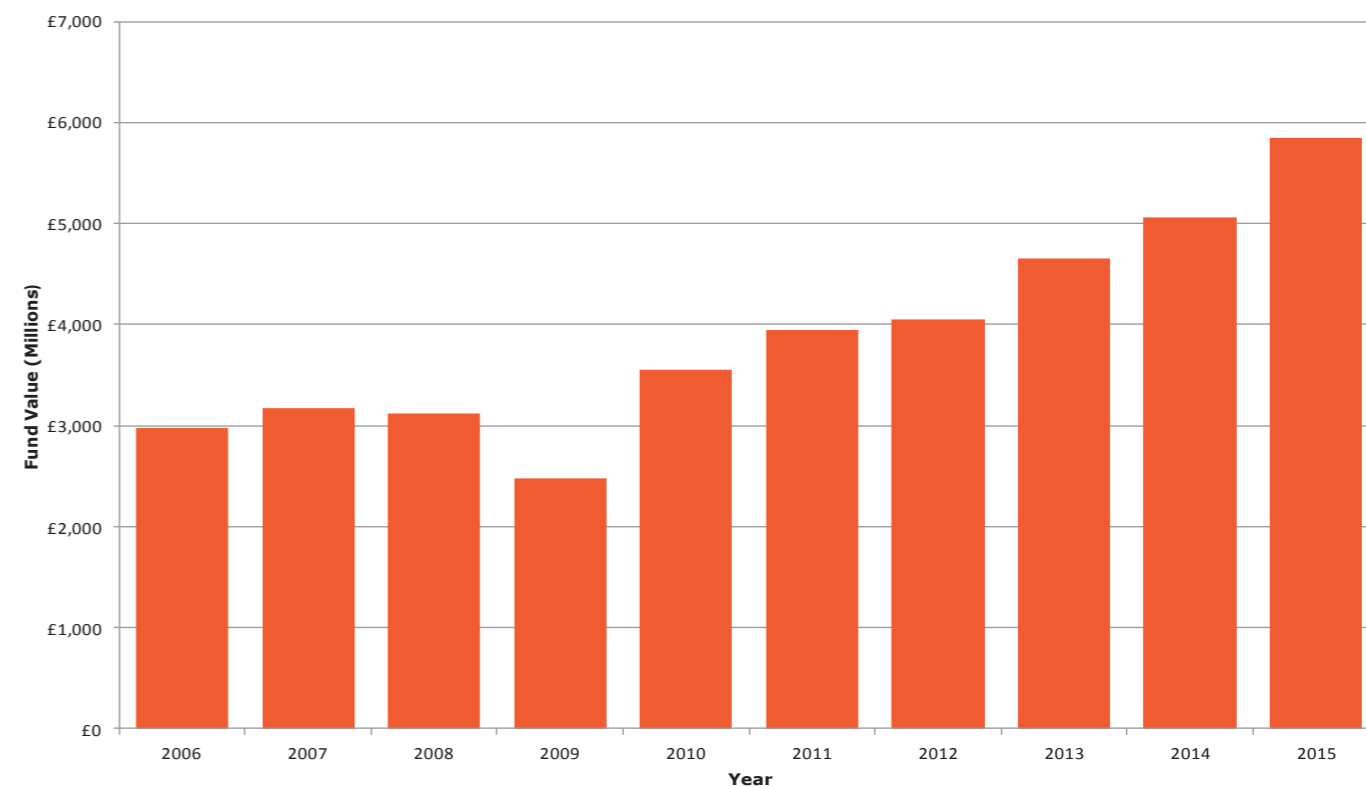
London based properties continued to deliver strong performance. Outside of London regional returns were also strong as the regional story moved from strength to strength over the year, because of capital value growth.

## FUND VALUE

The value of the Fund at 31 March 2015 was £5.85bn (2013/14 £5.06bn), an increase of £790m (15.6%) 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 79 and 80.

Value of the Fund





## INVESTMENT PERFORMANCE

Over the year to 31 March 2015, the Fund achieved an overall return on the total assets of 15.1%. NILGOSC's overall investment target is to exceed the Consumer Price Index (CPI) by 5% per annum, to be measured over a three and five year period. The Fund exceeded this target by 6.1% and 2.6% on a three and five year basis respectively for the period ended 31 March 2015.

The Consumer Price Index as at 31 March 2015 remained in line with that at 31 March 2014. The comparable statistics for the three and five year periods to 31 March 2015 on an annualised basis are:

	THREE YEARS % p.a.	FIVE YEARS % p.a.
Return of Fund	12.53	9.99
CPI +5%	6.45	7.37

The performance of the individual managers is monitored against their corresponding benchmark and performance target. The table below sets out the returns for each fund manager against their performance target for the twelve months ended 31 March 2015. Infrastructure investments are in the early stages of drawdown and therefore no meaningful performance data is available.

ASSET CLASS	MANAGER	PORTFOLIO RETURN %	TARGET RETURN %	EXCESS RETURN %
UK Equities	Baillie Gifford	0.20	8.57	-8.37
	BlackRock	11.68	10.57	1.11
	Jupiter	13.34	8.57	4.77
Global Equities	Baillie Gifford	28.05	22.17	5.88
	Edinburgh Partners	14.99	22.01	-7.02
	Wellington	23.45	21.44	2.01
Fixed Income	Wellington	8.36	8.58	-0.22
Passive	Legal & General	17.00	16.92	0.08
Property	LaSalle Core	20.53	18.10	2.43
	LaSalle Index-Linked	6.42	3.90	2.52

As NILGOSC's objective is to achieve the maximum return on Fund investments in 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. Accordingly, NILGOSC has agreed to focus its attention on the performance of its investments over the longer-term, particularly on a five year basis.

### INVESTMENT REVIEW 2014/15

The value of the Fund continued to rise during the year to £5.85bn as at 31 March 2015. This provides assurance in respect of the current investment strategy but it is important to recognise that financial markets are volatile and can impact on the Fund value over short-term periods. NILGOSC, therefore, remains focused on longer-term investment performance and matching the Fund's liabilities.

Jupiter remained NILGOSC's best performing UK Equities manager in the 12 months ended 31 March 2015, with strong relative returns on a one year, three year and five year basis. By comparison, Baillie Gifford's UK Equity portfolio had a disappointing year, resulting in

significant underperformance against the performance target on a one year basis. This has also impacted on returns on a three year basis with performance now lagging both the index and target although longer-term performance remains ahead of the index. NILGOSC met with Baillie Gifford in January 2015 to discuss the reasons for the underperformance and maintains confidence that the portfolio is positioned to out-perform in the longer-term and this will remain the focus for NILGOSC, while continuing to monitor the performance.

NILGOSC placed its remaining UK equities manager, BlackRock, on the Committee's Watchlist in 2013/14 as a result of prolonged underperformance of the portfolio against its target over the medium term, coupled with

restructuring within its UK Equity team. During the year, NILGOSC undertook a detailed review of the strategy in conjunction with its investment adviser. As a result of the review the manager was removed from the Watchlist during the quarter ended 30 June 2014. The portfolio has since begun to show signs of improvement during the latter half of 2014 and into 2015.

Baillie Gifford remained NILGOSC's best performing global equities manager for the second year running, with strong relative returns on a one year, three year and five year basis. Wellington Management also had a good year, delivering a positive relative return on a one year basis although longer-term performance remains behind its target. By contrast, Edinburgh Partners had a disappointing year resulting in

performance lagging its performance target across all timeframes. Performance on a one year basis was particularly disappointing with a relative return of -7.02%. NILGOSC met with Edinburgh Partners in January 2015 to review and discuss the reasons for the underperformance and performance will continue to be monitored closely to ensure that confidence is retained that the portfolio will outperform in the longer term.

NILGOSC's global fixed income portfolio, managed by Wellington Management, has been in place since March 2013 which is still too early in the life of the mandate to make a meaningful assessment of performance. NILGOSC believes the strategy is well placed to deliver long-term returns.

The core property portfolio, managed by LaSalle, outperformed both the index and its target for the year ended 31 March 2015. During the year, NILGOSC undertook a thorough review of the benchmark against which performance is measured. In September 2014, the Committee changed the benchmark from the current IPD Life Funds & Pension Funds £100m-£500m Index to the IPD Quarterly Universe as it provides a more appropriate formal benchmark for assessing the performance of the mandate and is more representative of both the portfolio and the wider UK property market in general. The portfolio is now fully invested and LaSalle continues to seek to add value through asset management initiatives. The index-linked portfolio is also now

fully invested with a mix of assets with an overall yield in line with the agreed strategy. NILGOSC was early to invest in this asset-class and the strategy has performed well since inception and had a good year, delivering a relative return of 2.52% on a one year basis to 31 March 2015. It is hoped this portfolio will provide good inflation linked returns for the Fund in the long-term.

As NILGOSC's passive manager, Legal & General has a mandate covering global equities, UK fixed income and cash. Legal & General's mandate is two-fold: to track the appropriate market index within stated tolerances for each of the index funds in which NILGOSC is invested; and to maintain NILGOSC's total asset allocation, including the portfolios managed by NILGOSC's active managers, close to the benchmark weightings and within predetermined control ranges. NILGOSC was pleased to note that Legal & General continued its strong track record of outperformance against the various equity indices throughout the year ended 31 March 2015.

During the year, NILGOSC continued to implement its plan to reduce its allocation to UK equities with a further disinvestment of £25m from the Baillie Gifford UK equities mandate in January 2015. The funds disinvested from UK equities will be used to fund investments in Alternative assets. A 5% allocation to Alternatives was made following the annual investment review in 2012 to promote diversification of the Fund and reduce risk of over-exposure to equities.

NILGOSC committed to invest £40m in Antin Infrastructure Partners Fund II in April 2014 and a further £40m with KKR Global Infrastructure Investors II in February 2015. The Antin Fund will be invested in European brownfield infrastructure assets across the energy and environment, transportation and telecommunications sectors while the KKR Fund will invest in similar sectors but has exposure to North America and other regions to provide geographic diversification.

NILGOSC held its annual investment strategy meeting in October 2014 and it was agreed that the current investment strategy remains appropriate and that NILGOSC should continue to identify suitable opportunities to invest in Alternatives, to promote diversification of the Fund. The only change resulting from the annual review was to switch the Japanese equity allocation held passively with Legal & General to a currency hedged fund, which was implemented in January 2015. NILGOSC also reviewed and updated its Investment Monitoring Guidelines during 2014/15 to reflect its focus on longer-term performance.

In March 2015, the Committee approved the use of the National LGPS Framework for Investment Consultancy Services as the tender approach for appointing a new investment advisor. The Framework is intended to promote collaborative working between LGPS Funds and is expected to save time and money. The tender to appoint a new investment advisor using the Framework will be carried out in the second half of 2015.

### Top 10 Equity Holdings at 31 March 2015

COMPANY	TOTAL INVESTMENT £'000'S	% OF TOTAL EQUITY PORTFOLIO
Reed Elsevier	47,656	2.11
Astra Zeneca	47,401	2.09
British American Tobacco	44,687	1.97
Amazon.com	37,183	1.64
BG Group	33,285	1.47
Tencent Holdings	32,688	1.44
Compass Group	32,330	1.43
Next Group	31,732	1.40
Reckitt Benckiser	28,690	1.27
Illumina	28,629	1.26

A full list of NILGOSC's equity holdings is made available annually through the Publication Scheme, which can be accessed at [www.nilgosc.org.uk](http://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. Under current UK law, pension schemes such as NILGOSC are not permitted to exclude investments solely on ethical grounds.

NILGOSC's Statement of Investment Principles acknowledges that environmental, social and corporate governance (ESG) issues can affect the 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 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. The policy was last reviewed on 24 February 2015. A copy of this policy can be obtained from the NILGOSC website.

NILGOSC has appointed a third-party proxy voting partner, Manifest, to provide company research and coordinate its voting activities. NILGOSC currently avails of Manifest's 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 2015 is shown below:

	UK	NORTH AMERICA	REST OF WORLD
Annual General Meetings	130	151	139
Other Meetings	26	16	35
Resolutions	2,728	1,889	2,303
Votes For Management	2,383	1,340	1,781
Votes Against Management	345	549	522

NILGOSC voted against management on 20.5% of occasions with remuneration practices and board composition being the principle reasons for dissent. Detailed monthly voting reports are available on the responsible investment section of the NILGOSC website.

For passively managed equities, votes are cast by NILGOSC's passive fund manager, Legal & General Investment Management, according to its own voting policies. The manager reports to NILGOSC on its voting activities on a quarterly basis.

## 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 and on what issues and the outcome of these engagements.

Since 2010, NILGOSC has also engaged directly with the UK companies in which it invests. In instances where NILGOSC intends to vote against management at a company meeting, it will write to the company to advise of its decision and to provide a rationale. In 2014/15, NILGOSC issued engagement letters to 120 UK companies where against votes were cast. During the year, NILGOSC also trialled the issue of engagement letters to European companies. Since January 2015, eight letters have been issued to European companies during 2014/15.

NILGOSC believes that it can have a bigger impact on the ESG practices of companies through collaborative engagement with like-minded investors rather than acting alone. NILGOSC is a member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF brings together local authority pension funds across the UK and provides an opportunity for discussing investment issues, promoting corporate social responsibility and maximising the influence shareholders have on the companies in which they invest. The Forum seeks to address ESG issues through direct engagement with 'offending' companies, governments and other relevant bodies on global issues such as climate change, executive remuneration and audit assurance. The Chief Executive and Secretary is a member of the Executive Board of LAPFF.

NILGOSC is also a member of the UK

Pension Fund Roundtable, which is a collective group of UK pension funds, in both the public and private sector, who work together to promote responsible investment. NILGOSC regularly attended meetings of the Roundtable during 2014/15 and was a signatory to its 'Guide to Responsible Investment Reporting in Public Equity', which was published in January 2015. The Guide was developed as part of the supporting pension funds' wider efforts to include responsible investment in fund manager selection and monitoring processes. NILGOSC will adopt this Guide going forward to help inform engagement with, and monitoring of, both current and prospective fund managers.

Demonstrating its commitment to responsible investment practices, NILGOSC has been a signatory to the United Nations Principles of Responsible Investment since 2008. NILGOSC reports on its implementation of the Principles for Responsible Investment through the UNPRI reporting framework on an annual basis. The framework assesses the areas of responsible investment overarching approach; active ownership within asset classes; engagement and proxy voting. In November 2014, NILGOSC received its report for the year ended 31 March 2013, which was positive in all areas assessed by UNPRI, with NILGOSC performing either in line with or ahead of its peers in each of the areas assessed. NILGOSC submitted its latest assessment in March 2015 for the year ended 31 March 2014 and will receive the outcome later in the year.

NILGOSC participates in the UK Pension Fund Roundtable and UNPRI collaborative engagements, where appropriate. In 2014/15, NILGOSC became a supporting investor in two collaborative engagements with UNPRI. The first is an engagement on the director nomination process, focused on listed companies in the US and France. The objective is to encourage those companies to improve the way that directors are nominated to the board and ensure that meaningful reporting is provided. The second engagement is on water risks in the agricultural supply chains, focused on listed companies in the food, beverage, apparel, retail and agricultural product sectors. The objective of this engagement is to

improve the awareness, management and disclosure of water risks in agricultural supply chains.

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, subsequently updated in February 2013. NILGOSC also requires its fund managers to confirm they are signatories and to provide copies of their Statements of Compliance.

### CLIMATE RISK


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

The changing climate presents a variety of risks and opportunities for pension fund investors. Investment practices should therefore seek to protect assets from climate risks such as weather events and regulatory change, while simultaneously seizing the new opportunities that a low-carbon economy presents. Accordingly, 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. In August 2014, NILGOSC became a signatory to the 2014 Global Investor Statement on Climate Change, which sets out the contribution that investors can make to increasing low carbon and climate resilient investments and offers practical proposals on how this contribution might be achieved. NILGOSC also encouraged its fund managers to sign up to the Statement, where appropriate.



During the year, NILGOSC also co-filed a shareholder resolution with other like-minded investors at the AGMs of both BP and Shell, requesting enhanced disclosures of corporate strategy on climate change outlook and risk management as part of routine reporting from 2016. In an unprecedented but welcome move, the boards of both companies publicly recommended that shareholders support the resolutions.

NILGOSC is also an investor signatory to the Carbon Disclosure Project (CDP). CDP seeks to improve the management of environmental risk by encouraging listed companies to measure and disclose environmental information. It does this by issuing annual questionnaires on behalf of its investor signatories, requesting standardised climate change, water and forest information.



**David Murphy**  
**Chief Executive and Secretary**  
25 August 2015



# REMUNERATION REPORT



## 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.

Further information on the NJC for Local Government Services and the Green Book can be found at [www.lge.gov.uk](http://www.lge.gov.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)

Officers	2014/2015				2013/2014			
	Salary	Benefits in Kind	Pension Benefits	Total	Salary	Benefits in Kind	Pension Benefits	Total
	£	£	£	£	£	£	£	£
David Murphy Chief Executive and Secretary	85,001-90,000	-	28,203	115,001-120,000	85,001-90,000	1,239	20,869	105,001-110,000
Nicola Todd Deputy Secretary	65,001-70,000	-	20,451	85,001-90,000	65,001-70,000	1,239	18,267	85,001-90,000
<b>Band of Highest Paid Employee's Total Remuneration</b>	85,001-90,000				85,001-90,000			
<b>Median Total Remuneration</b>	22,212				21,734			
<b>Ratio</b>	3.94				4.03			



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

The Chairman is the only Committee member in receipt of an emolument, which is a non-pensionable salary.

	2014/2015		2013/2014	
	Salary	Benefits in Kind	Salary	Benefits in Kind
	£	£	£	£
Trevor Salmon	12,841	-	12,644	-

## 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. Both the Chief Executive and Secretary and the Deputy Secretary

were in receipt of an essential car user's allowance of £1,239 per annum which has been included within the salary amount in 2014/15, reclassified from a benefit in kind.

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

## Management Committee Members' Attendance Allowance

	2014/15	2013/14
	Meeting Fee	Meeting Fee
	£	£
Joseph Donaghy	2,061	1,824
Julie Erskine	1,716	2,166
Bumper Graham	2,061	1,710
Celine McCartan	1,032	1,596
Peter McMurray	1,035	1,824
Linda Neilan	2,406	1,824
Peter Caldwell	2,175	1,824
David Jackson	1,833	1,938
Ciaran Quigley	1,494	1,482
Tom Irvine	2,520	1,938
Sharon McQuillan	2,175	2,052
Lindsay Todd *	2,175	1,824

\* Appointed on 1 May 2013

## 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 2014/15 was £85,001-£90,000 (2013/14, £85,001-£90,000). This was 3.94 times (2013/14, 4.03) the median remuneration of the workforce, which was £22,212 (2013/14, £21,734).

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 the pensions.

The decrease in the ratio to 3.94 in 2014/15 from 4.03 in 2013/14 is a result of an increase in the median total remuneration resulting from the NJC pay award of 2.2% with effect from 1 January 2015, combined with the fact that the banded remuneration of the most highly paid employee did not change from 2013/14.

## PENSION BENEFITS (AUDITED)

Officers	Accrued Pension and Related Lump Sum at Age 65 as at 31/03/15	Real Increase in Pension and Related Lump Sum at Age 65	CETV at 31/03/15	CETV at 31/03/14	Real Increase in CETV
	£	£	£	£	£
David Murphy	25,952	1,694			
Chief Executive and Secretary	plus lump sum of 51,676	plus lump sum of 505	378,616	345,556	28,913
Nicola Todd	13,157	1,255			
Deputy Secretary	plus lump sum of 19,000	plus lump sum of 186	151,380	133,771	16,004

Pension benefits are provided through the NILGOSC Scheme. This is a statutory scheme that provides benefits on a 'final salary' basis at a normal retirement age of 65. Benefits accrue at the rate of 1/80<sup>th</sup> of pensionable salary for each year of service up to 31 March 2009 and at a rate of 1/60<sup>th</sup> for each year after. In addition a lump sum equivalent to 3/80<sup>ths</sup> 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% - 7.5% 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

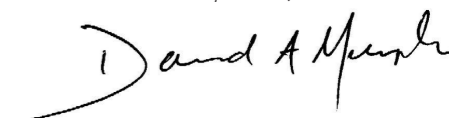
A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the Scheme. A CETV is a payment 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) Regulations. 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 takes account of the increase in accrued pension due to inflation, and contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement).



**David Murphy**  
Chief Executive and Secretary  
25 August 2015

# STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES



## 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, the Department of the Environment has directed the Northern Ireland Local Government Officers' Superannuation Committee to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Northern Ireland Local Government Officers' Superannuation Committee and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

- observe the Accounts Direction issued by the Department of the Environment, 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 and the Statement of Recommended Practice (Revised May 2007) (where applicable) have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Department of the Environment 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 HM Treasury.



# THE ACCOUNTS



## FUND ACCOUNT YEAR ENDED 31 MARCH 2015

	Note	2014/15 £'000	2013/14 £'000
<b>Contributions and benefits</b>			
Contributions receivable	4	231,351	214,491
Transfers in		5,227	7,757
		<u>236,578</u>	<u>222,248</u>
<b>Benefits</b>			
Benefits	5	(181,519)	(176,399)
Payments to and on account of leavers	6	(3,610)	(2,784)
Administration expenses	7	(3,267)	(3,112)
		<u>(188,396)</u>	<u>(182,295)</u>
<b>Net additions from dealings with members</b>		<u>48,182</u>	<u>39,953</u>
<b>Return on investments</b>			
Investment income	8	89,170	92,107
Change in market value of investments	9	609,530	255,154
Gains arising from changes in fair values	10	57,449	28,945
Investment management expenses	11	(13,826)	(11,458)
<b>Net return on investments</b>		<u>742,323</u>	<u>364,748</u>
<b>Net increase in the Scheme during the year</b>		<u>790,505</u>	<u>404,701</u>
Remeasurement (losses)/gains on the retirement benefit obligation	17	(475)	84
		<u>(475)</u>	<u>84</u>
<b>Opening net assets of the Scheme</b>		<u>5,055,506</u>	<u>4,650,721</u>
<b>Closing net assets of the Scheme</b>		<u>5,845,536</u>	<u>5,055,506</u>

**NET ASSETS STATEMENT  
AS AT 31 MARCH 2015**

	Note	2014/15 £'000	2013/14 £'000
<b>Non-current assets</b>			
Financial assets	9	5,060,978	4,412,830
Investment properties	10	722,910	587,425
Intangible assets	12	462	89
Property, plant and equipment	13	1,342	814
<b>Total non-current assets</b>		<b>5,785,692</b>	<b>5,001,158</b>
<b>Current assets</b>			
Trade and other receivables	14	39,683	38,150
Cash and cash equivalents	15	52,263	47,953
<b>Total current assets</b>		<b>91,946</b>	<b>86,103</b>
<b>Total assets</b>		<b>5,877,638</b>	<b>5,087,261</b>
<b>Current liabilities</b>			
Trade and other payables	16	(29,035)	(29,297)
<b>Total current liabilities</b>		<b>(29,035)</b>	<b>(29,297)</b>
<b>Non-current assets plus net current assets</b>		<b>5,848,603</b>	<b>5,057,964</b>
<b>Non-current liabilities</b>			
Retirement benefit obligations	17	(3,067)	(2,458)
<b>Total non-current liabilities</b>		<b>(3,067)</b>	<b>(2,458)</b>
<b>Assets less liabilities</b>		<b>5,845,536</b>	<b>5,055,506</b>

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 the statement by the Actuary on pages 79 to 80 and these financial statements should be read in conjunction with it.



**David Murphy**  
Secretary

25 August 2015

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2015**

	2014/15 £'000	2013/14 £'000
<b>Cash flows from operating activities</b>		
Net increase in the Scheme during the year	790,505	404,701
Adjustments for non-cash transactions		
Change in market value of investments and gains arising from changes in fair value	(666,979)	(284,099)
Depreciation/amortisation	178	129
IAS 19 pension cost less contributions payable	134	132
Gain on revaluation of property, plant & equipment	(304)	(53)
Adjustments for movements in working capital		
(Increase)/decrease in trade and other receivables	(1,533)	2,838
(Decrease)/increase in trade and other payables	(262)	15,702
<b>Net cash inflow from operating activities</b>	<b>121,739</b>	<b>139,350</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment and intangible assets	(775)	(155)
Purchase of investment properties	(92,730)	(194,282)
Purchase of investment assets	(1,420,475)	(1,044,330)
Proceeds of disposal of investment properties	14,694	2,057
Proceeds of disposal of investment assets	1,381,857	1,101,594
<b>Net cash outflow from investing activities</b>	<b>(117,429)</b>	<b>(135,116)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,310</b>	<b>4,234</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>47,953</b>	<b>43,719</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>52,263</b>	<b>47,953</b>



## NOTES TO THE ACCOUNTS for the year ended 31 March 2015

### 1. Basis of preparation

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, guidance set out in the Statement of Recommended Practice (Revised May 2007) (where applicable) and the 2014/15 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel, and the Accounts Direction issued by the Department of the Environment. 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 accounts.

### 2. Accounting policies

The accounts are prepared on an accruals basis.

#### 2.1 Use of estimates

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 key estimate and assumption used in the preparation of the financial statements relates to investment management performance fees which are calculated based on observed performance to the year end date. The actual performance fee will depend on the outturn for the performance year (which is not always co-terminus with

the Scheme year end) and as such may differ from estimated amounts.

#### 2.2 Valuation of investments

- 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 date.
- Unquoted investments are valued at the manager's bid value.
- 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.
- Fixed interest securities and index linked securities are valued on a bid price basis excluding accrued interest. Accrued interest is included within investment income receivable.
- Derivatives are valued on a fair value basis.

#### 2.3 Income from investments

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 includes irrecoverable withholding tax.

Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.

#### 2.4 Rental income

Rental income from properties has been taken into account by reference to the periods to which the rents relate and is shown net of related expenses.

#### 2.5 Contributions and benefits

Contributions, other than additional voluntary contributions, are accounted for on an accruals basis. Benefits payable are also accounted for on an accruals basis.

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.

#### 2.6 Transfers to and from other schemes

Transfers are accounted for on a receipts and payments basis.

#### 2.7 Investment management expenses

This represents the amount paid to investment fund managers who are remunerated on a net fee basis. Acquisition costs are included in the purchase cost of investments.

#### 2.8 Administration expenses

Administration expenses are accounted for on an accruals basis.

#### 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 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.

#### 2.11 Property, plant and equipment

Property is valued on the basis of open market value at 31 March 2015 by the independent chartered surveyors BNP Paribas Real Estate in accordance with the RICS Appraisal and Valuation Manual.

Non-property assets are carried at fair value; depreciated historical cost is used as a proxy for fair value for Plant and Equipment as the present value of the assets' potential can be assumed to be at least equal to the cost of replacing that service potential.

#### 2.12 Investment properties

Investment properties are valued on the basis of open market value at 31 March 2015 by the independent chartered surveyors BNP Paribas Real Estate in accordance with RICS Appraisal and Valuation Manual. The carrying amounts of these assets approximate their fair value.

#### 2.13 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.

#### 2.14 Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Investments held at the Net Assets Statement date are translated at the closing Net Assets Statement rate. The resulting exchange gain or loss is dealt with in the Fund Account.

#### 2.15 Financial instruments

##### Trade receivables

Trade receivables are recorded at their nominal amount less an allowance for doubtful debts.

##### Trade payables

Trade payables are stated at their nominal value.

#### 2.16 Retirement benefits

Employees are members of the NILGOSC Scheme which is a defined benefit pension scheme. The cost of providing benefits is determined using the Projected Unit Credit method. Formal actuarial valuations are carried out every three years and updates are carried out at the end of each reporting period. The difference between the fair value of the assets held and the liabilities are recognised in the Net Assets Statement as an asset or liability as appropriate. Changes in the retirement benefit obligation are charged immediately to the Fund Account.

#### 2.17 Application of new and revised International Financial Reporting Standards

The International Accounting Standards Board has not issued any new or amended standards applicable for 2014/15.

IFRS 13 Fair Value Measurement was issued with an effective date of 1 January 2013. The Financial Reporting Manual 2014/15 states that IFRS 13 applies to entities from 1 April 2015 and early adoption is not permitted.

#### 3. Segmental information

NILGOSC has only one operating segment. The Committee monitors and controls its operation through review of income and expenditure information on a portfolio basis. The Committee looks at the Scheme in totality as it cannot be disaggregated into any separate segments. Please refer to the Fund Account on page 60 and the Net Assets Statement on page 61.

#### 4. Contributions receivable

	2014/15 €'000	2013/14 €'000
Employers		
normal	167,901	156,365
early retirement funding	2,113	2,839
special contributions *	3,743	1,266
Employees		
normal	52,648	49,428
additional voluntary contributions	4,946	4,593
	<u>231,351</u>	<u>214,491</u>

\*The special contributions in 2014/15 include payments made to the Fund by specific employing authorities in addition to the minimum % contribution certified by the actuary and include cessation payments, strain on fund payments, deficit recovery payments on closure or transfers of staff and payments in respect of situations specific to a particular employing authority.

## 5. Benefits

	2014/15 £'000	2013/14 £'000
Pensions *	142,974	135,309
Commutations and lump sum retirement benefits	34,395	36,716
Lump sum death benefits	4,150	4,374
	<u>181,519</u>	<u>176,399</u>

\*In addition, £4.494m of agency and compensation pensions were paid on an agency basis and recharged to employing authorities (2013/14:£4.488m). 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

	2014/15 £'000	2013/14 £'000
Refund to members leaving service	10	16
Payment for members joining state scheme	-	3
Transfers to other schemes	3,600	2,765
	<u>3,610</u>	<u>2,784</u>

## 7. Administration expenses

	2014/15 £'000	2013/14 £'000
Staff costs (note 18)	1,920	1,759
Agency staff costs (note 18)	144	51
Office overheads	592	570
Depreciation (notes 12 & 13)	178	129
Communication	170	153
Other administration	154	160
Templeton House revaluation (note 13)	(304)	(53)
Actuarial fees	39	112
Internal audit fees	25	25
External audit Fees	26	21
Legal and other professional fees	268	129
Medical fees	55	56
	<u>3,267</u>	<u>3,112</u>

## 8. Investment income

	2014/15 £'000	2013/14 £'000
Fixed interest securities	5,778	4,898
Dividends from equities	49,742	48,711
Pooled Investment vehicles	749	646
Net rents from properties	32,831	24,713
Interest on deposits	387	460
Stock lending Income	360	385
Other - Class Actions/foreign exchange gains/(losses) & other income	(216)	12,841
	<u>89,631</u>	<u>92,654</u>
Irrecoverable withholding tax	(461)	(547)
Total Investment Income	<u>89,170</u>	<u>92,107</u>

### Stock Lending

The Fund's securities lending programme continued during the year ended 31 March 2015. The main features of the programme are:

- (i) Lending maximum of 35% of total investment assets;
- (ii) Global Custodian acts as securities lending manager and collateral manager;

(iii) Collateral comprises mainly of UK and overseas equity and Government debt.

As at 31 March 2015, securities amounting to £64,434,205 were on loan against collateral of £68,980,168 (2013/14: Securities amounting to £102,417,036 were on loan against collateral of £108,027,765).

## 9. Financial assets

	Value at 01 04 2014 £' 000	Purchases at cost £' 000	Sales proceeds £' 000	Reclass- ifications £' 000	Change in market value £' 000	Value at 31 03 2015 £' 000
Fixed interest securities	188,381	335,523	(322,749)	-	12,139	213,294
Equities	2,021,001	643,358	(630,313)	(960)	230,623	2,263,709
Pooled investment vehicles	2,180,819	423,087	(425,558)	-	366,675	2,545,023
Derivative contracts	1,671	-	-	-	(691)	980
AVC investments	20,958	5,850	(3,106)	-	1,064	24,766
Private equity/Infrastructure	-	12,657	(131)	960	(280)	13,206
	<u>4,412,830</u>	<u>1,420,475</u>	<u>(1,381,857)</u>	<u>-</u>	<u>609,530</u>	<u>5,060,978</u>

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 and reinvested income arising on the Legal & General Pooled investments. In the case of deposits and other investment

balances, this relates to exchange gains and losses.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees.

Transaction costs incurred during the year amounted to £2,288,659 (2013/14: £2,977,673). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.



## 9. Financial assets (continued)

	2014/15 £'000	2013/14 £'000
<b>Fixed interest securities</b>		
UK public sector	10,668	6,382
UK other	9,547	8,854
Overseas fixed interest	193,079	173,145
	<u>213,294</u>	<u>188,381</u>
<b>Equities</b>		
UK quoted	1,292,795	1,228,636
UK unquoted	-	959
Overseas quoted	970,914	791,406
	<u>2,263,709</u>	<u>2,021,001</u>
<b>Pooled investment vehicles</b>		
Unit trusts - property	-	-
Unit trusts - other	2,545,023	2,180,819
	<u>2,545,023</u>	<u>2,180,819</u>
<b>Derivative contracts</b>		
Forward currency contracts	980	1,671
	<u>980</u>	<u>1,671</u>
<b>Private Equity/Infrastructure</b>		
UK	872	-
Overseas	12,334	-
	<u>13,206</u>	<u>-</u>

### Futures Contracts

The Fund's objective in entering into futures position is to decrease risk in the portfolio by matching assets that are already held in the portfolio without disturbing the underlying assets.

### Foreign Currency Hedging

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.

There were forward currency contracts in place at 31 March 2015 and 31 March 2014 as shown in the analysis above.

## 9. Financial assets (continued)

### AVC Investments

The Committee holds assets invested separately from the main funds with Equitable Life Assurance and Prudential Company Limited.

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 aggregate amounts of AVC investments are as follows:

	2014/15 £'000	2013/14 £'000
<b>Equitable Life Assurance Company Limited</b>		
Equitable Life with profits	185	193
Equitable Life unit-linked funds	96	88
Equitable building society fund	33	33
	<u>314</u>	<u>314</u>
<b>Prudential Life Assurance Company Limited</b>		
Prudential With Profits Accumulation Fund	5,714	5,369
Prudential Deposit Fund	9,514	7,880
Prudential Cash Fund	909	824
Prudential Discretionary Fund	1,500	1,139
Prudential Fixed Interest Fund	185	158
Prudential Global Equity Fund	154	136
Prudential Index Linked Fund	316	246
Prudential International Equity Fund	230	201
Prudential Long Term Growth Fund	5	11
Prudential Overseas Equity Passive Fund	35	26
Prudential Property Fund	413	303
Prudential Retirement Protection Fund	693	596
Prudential Socially Responsible Fund	347	384
Prudential UK Equity (Passive) Fund	872	893
Prudential UK Equity (Active) Fund	282	248
Prudential Corporate Bond Fund	137	100
Prudential Aberdeen Life Multi-Asset	97	87
Prudential Pre Retirement Fund	149	124
Prudential UK Specialist Equity Fund	25	28
Prudential Aberdeen Life North American Equity Fund	7	6
Prudential BGI Aquila (60:40) Global Equity Index Fund	14	18
Prudential BGI Aquila All Stocks Corporate Bond	266	162
Prudential BGI Aquila UK Equity Index Fund	117	166
Prudential BGI Aquila World ex UK Index Fund	244	165
Prudential Newton International Global Equity	202	105
Prudential BGI (50:50) Global Equity Index Fund	583	355
Prudential BGI Aquila over 15 years UK Gilt Index	878	516
Prudential Index Linked Passive Fund	554	398
Prudential BGI Aquila Emerging Markets Equity	7	-
Prudential BGI Aquila Market Advantage	3	-
	<u>24,452</u>	<u>20,644</u>

## 10. Investment property

	2014/15 £'000	2013/14 £'000
<b>Fair Value</b>		
At start of year	587,425	366,255
Additions	92,730	194,282
Sales	(14,694)	(2,057)
Gains arising from changes in fair values	57,449	28,945
At end of year	<u>722,910</u>	<u>587,425</u>

The investment properties were valued as at 31 March 2015 by qualified professional valuers working for BNP Paribas Real Estate, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institute of Chartered Surveyors (RICS). The properties were

valued on the basis of Market Value. All valuations were carried out in accordance with the RICS Appraisal and Valuation Standards.

NILGOSC received net rental income of £32.8m (2013/14: £24.7m) 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 under non-cancellable operating leases expiring:	2014/15 £'000	2013/14 £'000
Not later than one year	36,896	33,131
Later than one year and not later than five years	130,578	111,985
Later than five years	239,979	198,694
	<u>407,453</u>	<u>343,810</u>

## 11. Investment management expenses

	2014/15 £'000	2013/14 £'000
Administration, management and custody	13,479	11,223
Performance measurement services	26	26
Other advisory fees	321	209
	<u>13,826</u>	<u>11,458</u>

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 the investments held and in some cases include a performance based fee element. In addition, fees paid in

respect of investment advice, custody services and property valuations are included within investment management expenses.

## 12. Intangible assets

	Computer software £'000
<b>Cost</b>	
At 1 April 2014	216
Additions	448
Disposals	(114)
<b>At 31 March 2015</b>	<u>550</u>
<b>Amortisation</b>	
At 1 April 2014	127
Charge for the year	75
Disposals	(114)
<b>At 31 March 2015</b>	<u>88</u>
<b>Net book value</b>	
At 31 March 2014	89
<b>At 31 March 2015</b>	<u>462</u>

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
<b>Cost</b>				
At 1 April 2014	725	666	733	2,124
Revaluation	275	-	-	275
Additions	-	102	225	327
Disposals	-	(381)	-	(381)
<b>At 31 March 2015</b>	<u>1000</u>	<u>387</u>	<u>958</u>	<u>2,345</u>
<b>Depreciation</b>				
At 1 April 2014	-	590	720	1,310
Charge for the year	29	57	17	103
Revaluation Adjustment	(29)	-	-	(29)
Amortisation on disposals	-	(381)	-	(381)
<b>At 31 March 2015</b>	<u>-</u>	<u>266</u>	<u>737</u>	<u>1,003</u>
<b>Net book value</b>				
At 31 March 2014	725	76	13	814
<b>At 31 March 2015</b>	<u>1,000</u>	<u>121</u>	<u>221</u>	<u>1,342</u>



### 13. Property, Plant and Equipment (continued)

The property was valued as at 31 March 2015 by qualified professional valuers working for BNP Paribas Real Estate, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors,

being members of the Royal Institute of Chartered Surveyors (RICS). The property was valued on the basis of Market Value. The valuation was carried out in accordance with the RICS Appraisal and Valuation Standards. All

the property, plant and equipment are owned by NILGOSC.

### 14. Trade and other receivables

	2014/15 €'000	2013/14 €'000
Receivables and other current assets	11,144	14,483
VAT and other receivables	3,933	447
Less: Provision for impairment of receivables	(861)	(1,316)
Receivables and other current assets-net	14,216	13,614
Pension contributions due *	12,633	13,992
Prepayments and accrued income	12,834	10,544
	<b>39,683</b>	<b>38,150</b>
An analysis of trade and other receivables by organisation is as follows:		
Balances with other central government bodies	3,307	1
Balances with local authorities and other related bodies	12,972	14,597
Balances with public corporations and trading funds	14	48
<i>Subtotal: Intra-government balances</i>	<b>16,293</b>	<b>14,646</b>
Balances with bodies external to government	<b>23,390</b>	<b>23,504</b>
	<b>39,683</b>	<b>38,150</b>

\*All contributions due to the Scheme relate to the month of March 2015 and were paid in full to the Scheme within the timescale required by the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009.

### 15. 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.

	2014/15 €'000	2013/14 €'000
At 1 April	47,953	43,719
Net change in cash balances	4,310	4,234
	<b>52,263</b>	<b>47,953</b>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	8,303	7,790
Investment cash	43,960	40,163
	<b>52,263</b>	<b>47,953</b>

### 16. Trade and other payables

	2014/15 €'000	2013/14 €'000
Trade payables and other current liabilities	169	799
Unpaid benefits	4,175	2,861
Social security and other taxes	1,463	1,630
Accruals and deferred income	23,228	24,007
	<b>29,035</b>	<b>29,297</b>
An analysis of trade and other payables by organisation is as follows:		
Balances with other central government bodies	1,463	1,630
Balances with local authorities	-	-
<i>Subtotal: Intra-government balances</i>	<b>1,463</b>	<b>1,630</b>
Balances with bodies external to government	<b>27,572</b>	<b>27,667</b>
	<b>29,035</b>	<b>29,297</b>

### 17. Retirement benefit obligations

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

The funded nature of the Local Government Pension Scheme requires the employer and its employees to pay contributions into the pension scheme, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the Local Government Pension Scheme (Administration) Regulations (NI) 2009 (as amended) and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March

2013 and the contributions to be paid until 31 March 2017 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 2013. An actuarial valuation of the Fund will be carried out at 31 March 2016 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the three year period from 1 April 2017.

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 Employer 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 2015 NILGOSC had 60 active members (2013/14:50), 51 deferred members (2013/14:48) and 16 pensioners (2013/14:17).

Net defined benefit liability	2014/15 €'000	2013/14 €'000
Fair value of assets	7,575	6,653
Present value of funded defined benefit obligation	(10,642)	(9,111)
Funded status	(3,067)	(2,458)
Impact of minimum funding requirement / asset ceiling	-	-
Net defined benefit liability	<b>(3,067)</b>	<b>(2,458)</b>

## 17. Retirement benefit obligations (continued)

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

Active members	<b>41%</b>
Deferred pensioners	<b>18%</b>
Pensioners	<b>41%</b>

### Financial assumptions

A full actuarial valuation of the NILGOSC defined benefit scheme was carried out as at 31 March 2013. 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 2015:

	2014/15 %	2013/14 %
Rate of increases in salaries	<b>3.3</b>	3.9
Discount rate	<b>3.2</b>	4.3
Inflation / Pension increase rate	<b>1.8</b>	2.4

### Demographic assumptions

The demographic assumptions are in line with those adopted for the last formal actuarial valuation for the Scheme and are based on the recent actual mortality experience for members within the Fund. The key demographic assumption was the allowance made

for longevity. The base longevity assumption made is in line with standard SAPS mortality tables and includes improvements based on the CMI Core Projections with a long term annual rate of improvement in mortality rates of 1.5% per annum.

Based on these assumptions, the average life expectancies at age 65 are summarised below:

	2014/15 Years	2013/14 Years
Current pensioners (at age 65) - males	<b>22.2</b>	22.1
Current pensioners (at age 65) - females	<b>24.7</b>	24.6
Future pensioners (at age 65) - males	<b>24.4</b>	24.3
Future pensioners (at age 65) - females	<b>27.0</b>	26.9

The next funding valuation of the Scheme is due to be carried out as at 31 March 2016, when the mortality trends under the Scheme will be reviewed and the demographic assumptions updated if appropriate.

### Analysis of assets

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

	2014/15 %	2013/14 %
Equities	<b>73.0</b>	74.2
Bonds	<b>12.2</b>	12.0
Property	<b>12.6</b>	11.2
Cash	<b>2.0</b>	2.6
Other	<b>0.2</b>	-

### Analysis of amounts charged against profits

	2014/15 £'000	2013/14 £'000
<b>Operating cost</b>		
Current service cost	<b>304</b>	282
Past service cost	<b>-</b>	26
	<b>304</b>	308
<b>Finance cost</b>		
Interest on net defined benefit liability	<b>100</b>	101
Finance cost	<b>100</b>	101

### Remeasurement Gains and Losses

	2014/15 £'000	2013/14 £'000
Return on plan assets in excess of that recognised in net interest	<b>(588)</b>	(338)
Actuarial losses/(gains) due to change in financial assumptions	<b>1,121</b>	(271)
Actuarial gains due to changes in demographic assumptions	<b>-</b>	(158)
Actuarial (gains)/losses due to liability experience	<b>(58)</b>	683
Net loss/(gain)	<b>475</b>	(84)

### Scheme assets

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

	2014/15 £'000	2013/14 £'000
Fair value of scheme assets at start of year	<b>6,653</b>	6,025
Interest income on assets	<b>287</b>	272
Contributions by Members	<b>88</b>	82
Contributions by the Employer	<b>270</b>	277
Benefits paid	<b>(311)</b>	(341)
Re-measurement gains on assets	<b>588</b>	338
Fair value of scheme assets at end of year	<b>7,575</b>	6,653

The actual return on assets is as follows:

	2014/15 £'000	2013/14 £'000
Interest income on assets	<b>287</b>	272
Re-measurement gains on assets	<b>588</b>	338
Actual return on assets	<b>875</b>	610



## 17. Retirement benefit obligations (continued)

### Present value of defined benefit obligation

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

	2014/15 £'000	2013/14 £'000
Present value of obligations at start of year	9,111	8,435
Current service cost	304	282
Interest cost	387	373
Contributions by Members	88	82
Past service cost	-	26
Benefits paid	(311)	(341)
Actuarial losses/(gains) on liabilities – change in financial assumptions	1,121	(271)
Actuarial gains on liabilities – change in demographic assumptions	-	(158)
Actuarial (gains)/losses on liabilities – experience	(58)	683
Present value of obligation at end of year	10,642	9,111

### 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 2015 and 31 March 2014. In each case only the assumption stated is altered; all other assumptions remain the same.

### Discount rate assumption

	31 March 2015		31 March 2014	
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)	10,419	10,869	8,932	9,330
% change in present value of total obligation	-2.1%	2.1%	-2.2%	2.2%
Projected service cost (£000's)	294	317	284	304
Approximate % change in projected service cost	-3.8%	3.9%	-3.4%	3.4%

### Rate of general increase in salaries

	31 March 2015		31 March 2014	
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)	10,710	10,575	9,184	9,075
% change in present value of total obligation	0.6%	-0.6%	0.6%	-0.6%
Projected service cost (£000's)	305	305	296	292
Approximate % change in projected service cost	0.0%	0.0%	0.8%	-0.8%

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

	31 March 2015		31 March 2014	
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)	10,813	10,474	9,275	8,986
% change in present value of total obligation	1.6%	-1.6%	1.6%	-1.6%
Projected service cost (£000's)	317	294	300	288
Approximate % change in projected service cost	3.9%	-3.8%	2.0%	-2.1%

### Post retirement mortality assumption

	31 March 2015		31 March 2014	
Adjustment to mortality age rating assumption*	- 1 year	+ 1 year	- 1 year	+ 1 year
Present value of total obligation (£000's)	10,929	10,355	9,327	8,930
% change in present value of total obligation	2.7%	-2.7%	2.2%	-2.2%
Projected service cost (£000's)	316	294	303	285
Approximate % change in projected service cost	3.5%	-3.5%	3.1%	-3.1%

\*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.

## 17. 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 2016 is £279k.

The estimated duration of the Fund's liabilities is 21.1 years.

## 18. Staff numbers and related costs

Staff costs comprise:

	Permanently employed staff £'000	Others £'000	2014/15	2013/14
			Total £'000	Total £'000
Wages and salaries	1,456	202	1,658	1,402
Social security costs	98	4	102	100
Other pension costs	297	7	304	308
<b>Total</b>	<b>1,851</b>	<b>213</b>	<b>2,064</b>	<b>1,810</b>

## Average number of persons employed

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

	Permanently employed staff	Others	2014/15	2013/14
			Total	Total
Directly employed	53	3	56	52
Other	-	2	2	1
<b>Total</b>	<b>53</b>	<b>5</b>	<b>58</b>	<b>53</b>

## 19. Performance against key financial targets

The Department of the Environment does not consider it appropriate to set key financial targets for NILGOSC.

## 20. Contingent liabilities

NILGOSC has contingent liabilities where the possibility of the 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 the case.

### Pension Entitlement

During 2013/14 a court hearing to consider an appeal by NILGOSC and the Department of the Environment in respect of the outcome of a judicial review application challenging the decision of NILGOSC, by which it declined to pay a survivor's pension following the death of a co-habiting

partner, found in favour of NILGOSC. In June 2014 the applicant applied to the Supreme Court for leave to appeal the decision and this was granted by the Supreme Court in December 2014. The appeal is expected to be listed during the final quarter of 2015. If the application is successful and the judgement is found in favour of the applicant, the implications for NILGOSC are that there could be potential applications for pensions by survivors in similar circumstances

## 21. Contractual commitments

Outstanding capital commitments (investments) at 31 March 2015 totalled £74m (31 March 2014: £14.9m). 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.

## 22. Related party transactions

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

During the year one of the employers of the Scheme rented property owned by the Scheme for an amount of £626,000 (2013/14: £571,000).

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

## 23. Summary of losses and special payments

### (i) Losses

Losses incurred on the sale of investments are disclosed as a "Change in Market Value" in Note 9 and "Gains/losses arising from changes in fair value" in Note 10.

Losses incurred during the year in respect of pension overpayments total £5,454 and relate to the non-recovery of pensioner death overpayments, of which £3,717 required approval by the Department of the Environment which was received in June 2015.

Bad debts written off during the year total £974,323 and relate to irrecoverable investment property rental income of £21,193, of which £15,105 was provided for in previous years, and irrecoverable tax reclaims of £953,130 which were provided for in full in previous years. The write off of the irrecoverable tax reclaims required approval by the Department of Finance and Personnel which was received in June 2015.

### (ii) Special payments

There were no special payments during the year.

The Financial Statements were authorised for issue by the Accounting Officer on 25 August 2015.



## 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 2013 by Aon Hewitt Limited, in accordance with Regulation 31 of the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009.

### Actuarial Position

1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £4,631.7M) covering 91% of the liabilities arising in respect of service prior to the valuation date allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.

2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 was:

- 17.0% 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 after the changes to benefits proposed from 1 April 2015.

#### Plus

- 3.6% of pensionable pay to restore the assets to 100% of the liabilities arising in respect of service prior to the valuation date over a recovery period of 20 years from 1 April 2014 (this assumes that the membership remains broadly stable and payroll increases by 3.9% p.a.).

3. In practice, each individual employer's position is considered separately, although a large number of the employers are grouped together

for the purpose of setting employer contribution rates. The resulting contributions payable by each employer are set out in Aon Hewitt Limited's report dated 31 March 2014 (the actuarial valuation report). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

4. The funding plan adopted in assessing the contributions for each individual employer was in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer, is set out in the actuarial valuation report.

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

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 31 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2016 in accordance with Regulation 68 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014.

8. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2013. 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 Hewitt Limited does not accept any responsibility or liability to any party other than our client, Northern Ireland Local Government Officers' Superannuation Committee, in respect of this Statement.

9. The report on the actuarial valuation as at 31 March 2013 is available on the Fund's website at the following address: [www.nilgosc.org.uk](http://www.nilgosc.org.uk).

### Aon Hewitt Limited 29 April 2015

Aon Hewitt Limited  
25 Marsh Street  
Bristol  
BS1 4AQ

Discount rate for periods in service	
Grouped employers	5.2% p.a.
Ungrouped employers	5.2% p.a.
Discount rate for periods after leaving service	
Grouped employers	5.2% p.a.
Ungrouped employers	3.9% p.a.
Rate of pay increases (in addition to an allowance for promotional pay increases)	3.9% p.a.
Rate of increase to pension accounts (post 2015)	2.4% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% p.a.

The key demographic assumption was the allowance made for longevity. The base longevity assumption made in the actuarial valuation was in line with standard SAPS mortality tables and included improvements based on the CMI Core Projections 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 were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.0	24.5
Future pensioners aged 45 at the valuation date	24.2	26.8

The assets were valued at market value.

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

## THE OPINION OF THE LOCAL GOVERNMENT AUDITOR TO THE ACCOUNTING OFFICER FOR THE NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE

I have audited the financial statements of Northern Ireland Local Government Officers' Superannuation Committee for the year ended 31 March 2015 under Regulation 63(5) of the Local Government Pension Scheme Regulations (Northern Ireland) 2014. These comprise the Fund Account, Net Assets Statement, Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as being audited.

### Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Northern Ireland Local Government Officers' Superannuation Committee through the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with Local Government Pension Scheme Regulations (Northern Ireland) 2014. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practice Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Northern Ireland Local Government Officers' Superannuation Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Local

Government Officers' Superannuation Committee; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

### Opinion on regularity

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

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Northern Ireland Local Government Officers' Superannuation Committee's affairs as at 31 March 2015 and of the net increase in the scheme during the year and of the amount and disposition at that date of the assets and liabilities other than liabilities to pay pensions and benefits after the Scheme year end; and
- the financial statements have been properly prepared in accordance with the Local Government Pension Scheme Regulations (Northern Ireland) 2014 and Department of the Environment Directions issued.

### Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Regulation 63(3) of Local Government Pension Scheme Regulations (Northern Ireland) 2014; and
- the information given in the Executive Summary, Foreword and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Opinion on the Statement about Contributions payable

In my opinion the contributions payable to the Northern Ireland Local Government Officers' Superannuation Committee during the year ended 31 March 2015 have in all material respects been paid in accordance with the rules of the Scheme and with the recommendation of the Actuary.

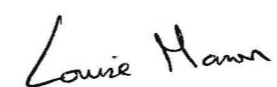
### Matters on which I report by exception

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

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

### Report

I have no observations to make.



Louise Mason  
Local Government Auditor  
Northern Ireland Audit Office  
106 University Street  
Belfast  
BT7 1EU

26 August 2015



# APPENDICES



## ANNUAL REPORT OF THE AUDIT AND RISK ASSURANCE COMMITTEE FOR YEAR ENDED 31 MARCH 2015

### 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 during the year ended 31 March 2015.

1.2 This report provides a summary of the main areas and issues considered by the Audit & Risk Assurance Committee during 2014/15.

### 2 Constitution of the Audit and Risk Assurance Committee

2.1 The Management Committee established an Audit & Risk Assurance Committee to act in an advisory capacity.

2.2 Celine McCartan stepped down as Chairperson of the Audit & Risk Assurance Committee in July 2014 due to a planned rotation to the Staffing Committee. Linda Neilan took up the position of Chairperson and chaired her first meeting in August 2014. There were no other membership changes to the Audit & Risk Assurance Committee during the 2014/15 period. There were five members as at 31 March 2015.

2.3 The Audit & Risk Assurance Committee is charged with advising the Management Committee on:

- the strategic processes for risk, control and governance and the Governance Statement.
- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of errors identified, and management's letter of representation to the external auditors.
- the planned activity and results of both internal and external audits.
- adequacy of management response to issues identified by audit activity, including external audit's management letter.
- assurances relating to the corporate

governance requirements for the organisation.

- proposals for tendering for Internal audit services.
  - anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.
- 2.4 Following each meeting, the Chairperson of the Audit & Risk Assurance Committee provides a verbal report to the Management Committee, providing an overview of the discussions and highlighting any issues that are considered to be significant.

### 3 Financial Reporting

3.1 The Annual Report and Accounts 2013/14 were prepared in accordance with the FReM and presented to the Audit & Risk Assurance Committee on 11 August 2014. In line with DAO (DFP) 10/12 'Requirement to Complete a Governance Statement', the Chief Executive prepared his Governance Statement for 2013/14, which was considered and endorsed by the Audit & Risk Assurance Committee for inclusion in the 2013/14 Annual Report.

3.2 In addition to the Governance Statement, the Annual Report 2013/14 also included the Annual Report of the Audit & Risk Assurance Committee. On the recommendation of the Audit & Risk Assurance Committee, the Annual Report 2013/14 was approved by the Management Committee at its meeting on 26 August 2014 and laid before the Assembly on 8 September 2014.

### 4 External Audit

4.1 As a non-departmental public body, NILGOSC is required to use the Northern Ireland Audit Office (NIAO) for the provision of its external audit service. In January 2012, the NIAO appointed KPMG to provide an external audit function on its behalf. KPMG has been sub-contracted to carry out the external audit for NILGOSC. The Local Government

Auditor retained responsibility for signing the audit report and providing an annual opinion.

4.2 The NIAO presented its Report to Those Charged with Governance for 2013/14 (RTTCWG) to the Audit & Risk Assurance Committee on 11 August 2014.

4.3 The External Auditor advised the Audit & Risk Assurance Committee that an issue had arisen in relation to the eligibility of the admission and membership of certain current and former staff of the Youth Justice Agency of Northern Ireland (YJANI) to the NILGOSC Scheme. External audit had been unable to obtain sufficient appropriate audit evidence regarding the regularity of pension contributions received and pension benefits paid in respect of YJANI members and the consequent impact on the financial statements. Except for the possible effects of the YJANI issue, the opinion of the External Auditors was that the financial statements had been properly prepared and provided a true and fair statement of NILGOSC's affairs as at 31 March 2014.

4.4 The Local Government Auditor issued a qualified audit opinion for the year ended 31 March 2014: qualified opinion on regularity; qualified opinion on financial statements; and qualified opinion on the statement of contributions payable.

4.5 The Audit & Risk Assurance Committee received a progress update in respect of the three recommendations made within the RTTCWG 2013/14 in its meetings of 25 November 2014 and 23 February 2015.

4.6 KPMG presented its Audit Strategy 2014/15 to the Audit & Risk Assurance Committee at its meeting on 23 February 2015, which was subsequently approved.

## 5 Internal Audit

5.1 The Internal Auditor presented the final audit plan for 2014/15 to the Audit & Risk Assurance Committee on 11 August 2014 and confirmed that the plan was established within the context of NILGOSC's Internal Audit Strategy which covers the five year period from 1 April 2010 to 31 March 2015. The Audit & Risk Assurance Committee approved the Internal Audit Plan 2014/15.

5.2 The internal audit reviews conducted during 2014/15 and the assurance opinion provided in respect of each is set out in the table below:

Review	Assurance Opinion
Interim records management arrangements	Satisfactory
Pensions development	Substantial
Human resource management	Satisfactory
Information security and business continuity planning	Substantial
Other financial systems	Substantial
Pensions administration and payments	Satisfactory
Pensioners' payroll	Substantial

5.3 'Substantial' is the highest level of assurance that can be provided and the Audit & Risk Assurance Committee was pleased to note that this had been achieved in four areas and that Internal Audit did not identify any significant issues arising as a result of any of the internal audit reviews undertaken during 2014/15.

Governance Statement for the year ended 31 March 2015.

1 April 2015 (the contract in place expired on 31 March 2015). The Audit & Risk Assurance Committee recommended the documentation to the Management Committee for approval. The Selection Panel established to evaluate and score each tender submission included the Chairperson and two other members of the Audit & Risk Assurance Committee. The Audit & Risk Assurance Committee was provided with a summary report, together with details of the successful tender applicant, at its meeting on 25 November 2014.

5.7 In June 2014, the Audit & Risk Assurance Committee approved the Internal Audit Charter. The Charter had been updated to bring it into line with the Public Sector Internal Audit Standards, which replaced the Government Internal Audit Standards in 2013.

5.8 In November 2014, the Audit & Risk Assurance Committee considered FD (DFP) 09/14 'Inclusion of Complaints Handling in Internal Audit Programmes' issued on 6 October 2014. A report on 'Complaints Handling Across Government' had been accepted by the Permanent Secretaries Group and included a recommendation that complaints handling should be included in internal audit work programmes. The Internal Auditor advised that this is being considered by internal audit departments across the Northern Ireland Civil Service. The Audit & Risk Assurance Committee noted the content of FD (DFP) 09/14.

5.10 The Public Sector Internal Audit Standards require that an external quality assessment (EQA) is carried out on the internal audit service every five years by a qualified, independent assessor or assessment team from outside the organisation, the results of which should be reported to senior management and the Board. In accordance with the DAO, 'Internal Audit Arrangements – Relationships between Departments and Arms Length Bodies', the sponsor Department's internal audit function has responsibility for conducting these EQAs. The Department of the Environment outsources its internal audit function to DRD. The DRD Audit Manager met with the Officers

5.9 The Audit & Risk Assurance Committee reviewed the business case and tender documentation for the appointment of a new outsourced internal audit service provider from

5.4 The Audit & Risk Assurance Committee receives bi-annual reports on the progress against implementation of Internal Audit recommendations. These reports were provided in August 2014 and February 2015 and the Audit & Risk Assurance Committee was pleased to note that good progress had been made.

5.5 In their Annual Assurance Report, the Internal Auditors stated that, during the twelve month period ended 31 March 2015, NILGOSC's systems in relation to risk management, control and governance were adequate and operated effectively, thereby providing substantial assurance in relation to the effective and efficient achievement of NILGOSC's objectives.

5.6 Internal Audit did not consider there to be any significant control issues relevant to the preparation of the

and the Chair of the Audit & Risk Assurance Committee as part of his review. The final report was provided in December 2014 and concluded that Internal Audit had provided a satisfactory service to NILGOSC, conforming with the requirements of the Public Sector Internal Audit Standards. The Audit & Risk Assurance Committee noted the DRD report at its meeting of 23 February 2015.

## 6 Risk, Control and Governance

6.1 During the annual review of the risk register in May 2014, the risk register was extensively reviewed, with risks being re-assessed and re-evaluated. No new risks were added to the register. The Audit & Risk Assurance Committee reviewed the risk register 2014/15 and approved the content.

6.2 At its meeting in June 2014, the Audit & Risk Assurance Committee reviewed NILGOSC's updated Risk Management Policy. The policy had been amended to reflect current best practice and NILGOSC's risk appetite, which was developed by the Management Committee in April 2014 and approved at its meeting on 23 June 2014. The Audit & Risk Assurance Committee agreed to recommend the policy to the Management Committee for approval. On approval of the policy, the risk register was updated to incorporate risk appetite. Each risk was assigned a risk category and appetite. The format of the register was changed to group risks according to their risk category. Some risks were reworded and all risks were rescored using the appropriate risk appetite matrix. The revised register contained 43 risks in total, ten of which were categorised as strategic and five as key. The Audit & Risk Assurance Committee welcomed the thorough review undertaken and was content to recommend the revised register to the Management Committee for approval.

6.3 The Audit & Risk Assurance Committee receives a quarterly report from the executive officers

summarising the operation of the risk management process during each three month period. The quarterly report includes any significant control issues identified during the quarter together with any proposed changes to the risk register. The report sets out all key and strategic risks on the risk register and details any action taken in respect of these risks during the review period. The quarterly reports provide the Audit & Risk Assurance Committee with assurance that the risk management process is operating effectively and that any internal control weaknesses are promptly and adequately addressed. An abbreviated version of the quarterly report is circulated to the Management Committee for information at the next available meeting.

6.4 The quarterly risk reviews and subsequent reports provided during 2014/15 resulted in an increase in the inherent risk score of two risks (R7 and C5) and an increase in the net risk score of three risks (G11, R7 and C5) on the risk register. These changes to the risk register were all approved by the Audit & Risk Assurance Committee. No new risks were added to the risk register during 2014/15.

6.5 Following the information risk assessment carried out by the management team in May 2013, an 'Information Risk Action Plan' was established. Although the assessment identified NILGOSC's potential exposure to information risk as low, some areas for improvement were noted. The Action Plan included any priority risk areas and included appropriate action to address each risk. Progress against the action plan is reviewed bi-annually and was considered at the meeting of the Audit & Risk Assurance Committee on 3 June 2014 and 25 November 2014. The Audit & Risk Assurance Committee was pleased to note that good progress was being made. This will continue to be monitored on a bi-annual basis until all actions have been completed.

## 7 Fraud

7.1 On 3 June 2014, the Audit & Risk Assurance Committee was content to recommend for approval the revised Whistle-blowing Policy and the revised Anti-Bribery Policy.

7.2 The Audit & Risk Assurance Committee considered the revised Anti-Fraud Policy and Fraud and Corruption Response Plan at its meeting on 25 November 2014. The members of the Audit & Risk Assurance Committee requested that the policy and plan be sent to the Department of the Environment for review and comment. The Department reviewed the documentation and at its meeting on 23 February 2015, the Audit & Risk Assurance Committee was content to approve the revised policy and plan.

7.3 The Annual Fraud Report 2014/15 outlined that no cases of suspected fraud had been identified during the year ended 31 March 2015.

7.4 Any cases of fraud are reported to the Audit & Risk Assurance Committee through a quarterly Fraud and Whistleblowing Report, presented at each meeting. This report also provides an update on progress against investigation of matches identified through the National Fraud Initiative and mortality tracing exercises and advises whether any cases have been reported through NILGOSC's Whistleblowing Policy.

## 8 Other

8.1 The Terms of Reference for the Audit & Risk Assurance Committee are reviewed annually. The scope and content of the Terms of Reference were amended to comply with best practice as set out in DFP's Audit and Risk Assurance Committee Handbook (NI), which was updated and reissued in March 2014. The amendments were minor in nature, for example, to make reference to the process of issuing appointment letters and the induction training to be provided to new members by the Chairperson. At its meeting on 25 November 2014, the Audit & Risk



Assurance Committee reviewed and considered the changes made to the Audit & Risk Assurance Committee Terms of Reference since the last review in October 2013 and was content to recommend the revised Terms of Reference to the Management Committee for approval. The approved Terms of Reference are available to view on NILGOSC's website.

8.2 In May 2009, the DoE advised the Secretary of its intention to attend Audit & Risk Assurance Committee meetings as an observer. A Departmental representative was in attendance at all of the four Audit & Risk Assurance Committee meetings held in 2014/15.

#### 9 Effectiveness of the Audit & Risk Assurance Committee

9.1 The Audit & Risk Assurance Committee met four times during 2014/15 in accordance with the planned work programme.

9.2 The following table sets out the attendance record for 2014/15 (refer to section 2.2 for membership changes):

Member	Meetings Called	Meetings Attended	Attendance %
Celine McCartan*	1	1	100%
Bumper Graham	4	3	75%
Linda Neilan	4	4	100%
Ciaran Quigley	4	2	50%
Tom Irvine	4	4	100%
Lindsay Todd	4	3	75%

\* Rotation from Audit & Risk Assurance Committee to Staffing Committee in July 2014.

9.3 Under its Terms of Reference, the Audit & Risk Assurance Committee is required to periodically review its own effectiveness and report the results of that review to the Committee. In accordance with best practice, the Audit & Risk Assurance Committee adopted and tailored the National Audit Office (NAO) 'Self-Assessment Checklist' published in January 2012 to assist in undertaking this review.

9.4 The Audit & Risk Assurance Committee met on 28 April 2015 to discuss the questions on the checklist and record its findings. The outcome of the assessment demonstrated that the Audit & Risk Assurance Committee is compliant with the five good practice principles set out in the checklist and that there is an effective Chairperson and appropriate support from the Secretariat.

#### 10 Opinion

10.1 Based on the assurances and information provided during the year ended 31 March 2015, the Audit & Risk Committee 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 2015

##### Councils

Antrim and Newtownabbey 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  
 Ards and North Down Borough Council

##### Education and Library Authorities

Education Authority  
 Libraries NI

##### Restricted Membership

Alpha Housing Association  
 Amey Community Limited  
 Apex Housing  
 Ards Citizens' Advice Bureau  
 Capita Managed IT Solutions Limited  
 Choice Housing Ireland Limited  
 Citizens' Advice Bureau  
 City of Derry Airport  
 Fold Housing Association  
 Graham Asset Management  
 Greenwich Leisure Limited  
 HSG Zander Ireland Facilities Services Limited  
 Northern Community Leisure Trust  
 South Ulster Housing Association Limited

##### Associated Bodies

Arc21 Joint Committee  
 Ark Housing Association Northern Ireland Limited  
 Armagh Observatory  
 Armagh Planetarium  
 Arts Council of Northern Ireland  
 Belfast Charitable Society  
 Belfast Visitor & Convention Bureau  
 Citybus Limited  
 Coleraine Harbour Commissioners  
 Comhairle Na Gaelscolaiochta  
 Community Relations Council  
 Connswater Housing Association Limited  
 Construction Industry Training Board  
 Council for Catholic Maintained Schools  
 Council for the Curriculum, Examinations and Assessment  
 Covenant Residential Association Limited  
 Derry Visitor and Convention Bureau  
 Down District Citizens' Advice Bureau  
 Engineering Training Council (NI) Limited  
 General Teaching Council for Northern Ireland  
 Glenmona Resource Centre  
 Grove Housing Association Limited  
 Habinteg Housing Association (Ulster) Limited  
 Harmony Homes (NI) Ltd  
 Hearth Housing Association Limited  
 Helm Housing

Note: this list refers to the newly merged councils and Education Authority



Ilex URC Limited  
 Linen Hall Library  
 Livestock & Meat Commission for Northern Ireland  
 Local Government Staff Commission  
 Middletown Centre for Autism  
 Millennium Forum  
 Mourne Heritage Trust  
 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 Development Council for Northern Ireland  
 Rural Housing Association  
 Sports Council for Northern Ireland  
 St Matthew's Housing Association Limited  
 Ulidia Housing Association Limited  
 Ulsterbus Limited  
 Youth Council for Northern Ireland  
 Youthnet

#### **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 Academical Institution  
 Corran Integrated Primary School  
 Cranmore Integrated Primary School  
 Dalriada School  
 Dominican College – Belfast  
 Dominican College – Portstewart  
 Drumragh Integrated College  
 Drumlins Integrated Primary School  
 Enniskillen Integrated Primary 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  
 Millennium Integrated Primary School  
 Mill Strand Integrated Primary School  
 Mount Lourdes Grammar School  
 New-Bridge Integrated College  
 North Coast Integrated College  
 Oakgrove Integrated College  
 Oakgrove Integrated Primary School  
 Oakwood Integrated Primary School  
 Omagh Integrated Primary School  
 Our Lady & St Patrick's College  
 Our Lady's Grammar School  
 Phoenix Integrated Primary School  
 Portadown Integrated Primary School  
 Rainey Endowed School  
 Rathmore Grammar School  
 Roe Valley Integrated Primary School  
 Rowandale Integrated Primary School  
 Royal Belfast Academical Institution  
 Royal School, Armagh  
 Royal School, Dungannon  
 Sacred Heart Grammar School  
 Saints and Scholars Integrated Primary School  
 Shimna Integrated College  
 Slemish Integrated College  
 Sperrin Integrated College  
 Spires Integrated Primary School  
 St Colman's College  
 St Columb's College  
 St Dominic's High School  
 St Joseph's Grammar School  
 St Louis Grammar School  
 St Malachy's College  
 St Mary's Christian Brothers  
 St Mary's Grammar School  
 St Michael's College  
 St Patrick's Academy  
 St Patrick's Grammar School  
 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  
 Stranmillis University College  
 St Mary's University College  
 University of Ulster

## GLOSSARY

The following is a glossary of pension terms used throughout this annual report and accounts:

Term	Definition
<b>Accrual rate</b>	This is the rate at which pension benefits build up for the member e.g. 1/49 <sup>th</sup> times pensionable pay for each year of membership.
<b>Active Member</b>	Current member of the pension scheme who is building up retirement benefits from their present job.
<b>Active Management</b>	A style of investment management whereby the manager seeks to add value to the fund by actively buying and selling shares.
<b>Actuary</b>	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.
<b>Actuarial Valuation</b>	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 sufficient funds available to meet future pension payments.
<b>Additional Voluntary Contributions (AVC's)</b>	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.
<b>Asset Allocation</b>	The decision as to which mix of assets to buy – shares, bonds, property or cash.
<b>Automatic Enrolment</b>	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.
<b>Balanced Management</b>	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.
<b>Benchmark</b>	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.
<b>Benefit Statement</b>	A statement showing an individual the pension benefits they have earned so far together with a forecast of what their final pension might be.
<b>Career Average Revalued Earnings (CARE)</b>	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.
<b>Cohabiting Partner</b>	Couples who live together but do not marry or enter a civil partnership. If the member wishes for their partner to receive any benefits in the event of their death they must both complete a Nomination of Cohabiting Partner Form (LGS 21).
<b>Consumer Price Index (CPI)</b>	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.
<b>Contributions</b>	The money paid by an individual or his/her employer into a pension fund.
<b>Corporate Bonds</b>	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.

Term	Definition
<b>Coupon</b>	The nominal interest a bond will pay at each payment date.
<b>Death Benefit</b>	This may be paid to a member's dependants if the member dies. It may be a pension or a one-off payment.
<b>Deferred Benefits</b>	Benefits which are calculated at the time an individual leaves the scheme and are payable at a later date.
<b>Deferred Member</b>	An individual who has left the scheme but will get pension benefits when they reach their normal retirement age.
<b>Defined Benefit Scheme</b>	A pension scheme which states in advance the level of benefits that will be paid on retirement, usually based on the service and earnings.
<b>Dependant</b>	This is someone who is dependent on a member of the pension scheme (or on a pensioner of the scheme).
<b>Eligible Child</b>	A child is an eligible child of a deceased member if the child is wholly or mainly dependent on the member and is less than 18 years of age at the date of the member's death. If the child is continuing in full-time education, he/ she will be treated as a dependant until he/she reaches the age of 23 (or earlier if he/ she completes his/ her course of study).  A child who is disabled within the meaning of the Disability Discrimination Act 1995, that is, has "a physical or mental impairment which has a substantial and long-term adverse effect on his ability to carry out normal day-to-day activities" and has a condition that is sufficiently serious to prevent him/ her following a normal employment or which would seriously impair his/her earning capacity may be treated as an eligible child. It will be necessary for the child to have a medical assessment with the Committee's doctor.
<b>Expression of wish</b>	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.
<b>Final Pensionable Pay</b>	The pensionable earnings on which the 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.
<b>Final Salary Scheme</b>	A defined benefit scheme where the pension benefits paid on retirement are based on how much an individual is earning when they retire.
<b>Fund Manager</b>	A professional manager of investments often employed by a pension scheme to manage assets on their behalf.
<b>Gilts</b>	Bonds issued by the Government.
<b>Ill-health early retirement</b>	This arises when a member retires early because of ill-health. They may get enhanced pension benefits if they meet the qualifying criteria for ill-health retirement.
<b>Index</b>	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.
<b>Index Linked Gilts</b>	A type of bond where the interest payment is guaranteed to rise in line with the Retail Prices Index.
<b>Index Tracking Fund</b>	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.
<b>Inflation</b>	The general rate of increase in prices and wages over a period of time.
<b>Occupational Pension Scheme</b>	A pension scheme established by an employer to provide pension benefits to its employees on their retirement.

Term	Definition
<b>Opting Out</b>	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 three months of joining you are entitled to a refund of contributions; an opt-out after three months of joining entitles you to deferred pension benefits payable from your normal retirement age.
<b>Passive Management</b>	A style of investment management where no active management is required, instead investments are made in line with an index.
<b>Pension</b>	A regular income paid to an individual on their retirement.
<b>Pensions Increase</b>	In April each year NILGOSC increases pensions to reflect rises in the cost of living.
<b>Pensionable pay</b>	These are the earnings used to work out a member's benefits and contributions. They might not include overtime.
<b>Pensionable Service</b>	The period of employment that is taken into account when calculating pension benefits.
<b>Retail Prices Index (RPI)</b>	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.
<b>Rule of 85</b>	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 1 <sup>st</sup> 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 you accrue 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 you accrue 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.
<b>Securities</b>	A general name for shares, stocks and bonds issued to investors.
<b>Shares</b>	Sold by companies looking to raise money. Shares give the holders an interest in the company and a right to share in the profits.

Term	Definition
<b>State Pension Age</b>	This is the age people normally start getting the basic state pension. From April 2010, the age at which women become entitled to State Pension will gradually increase, to reach 65 by November 2018, bringing it into line with State Pension age for men. State pension age is then to increase to age 66 by October 2020, age 67 between 2026 and 2028 and to age 68 by 2046.  The Pensions Act 2014 provides for a regular review of the State Pension Age, at least once every five years. The Government is not planning to revise the existing timetables for the equalisation of State Pension age to 65 or the rise in State Pension Age to 66 or 67. However, the timetable for the increase in the State Pension age from 67 to 68 could change as a result of the review.
<b>Stock Selection</b>	The process of selecting which individual shares and bonds to buy and sell.
<b>Superannuation</b>	A term used to describe contributions made to a pension scheme, particularly in the public sector.
<b>Transfer Value</b>	The value of an individual's pension rights, which can be transferred to another pension scheme to provide alternative benefits if they have left the Local Government Pension Scheme.



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