

NiLGOSC

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS'
SUPERANNUATION COMMITTEE



ANNUAL REPORT 2015/2016

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE



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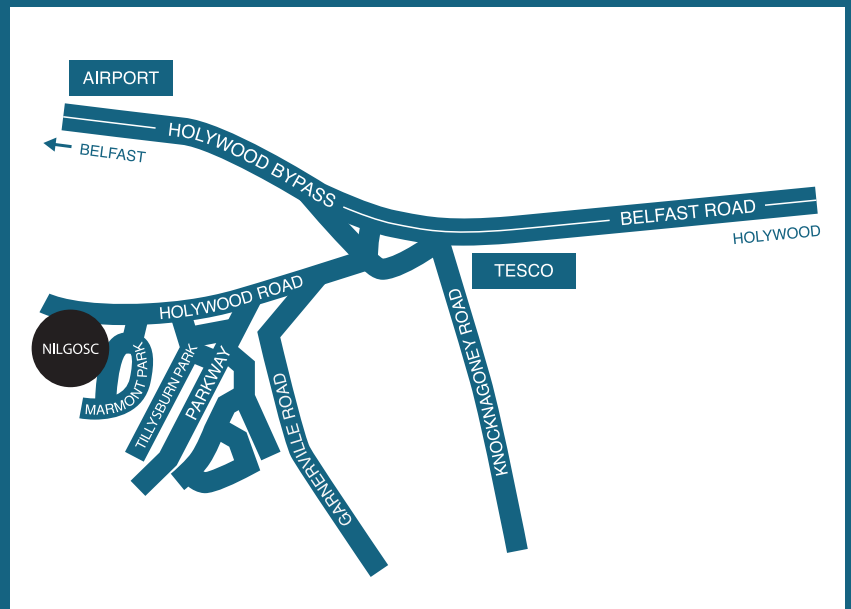
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ANNUAL REPORT

2015/2016

NILGOSC Annual Report and Accounts
For the Year Ended 31 March 2016

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

on

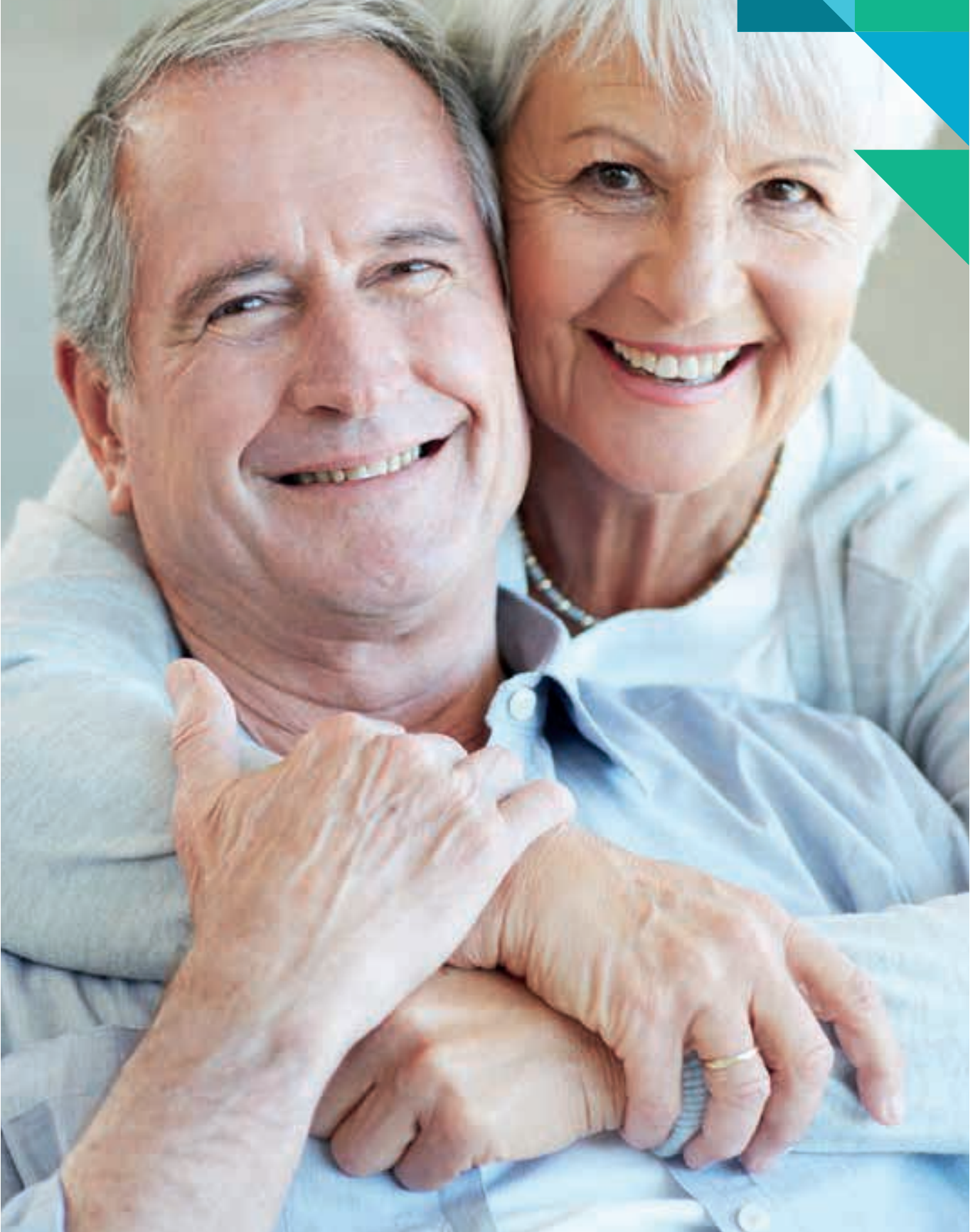
6 September 2016



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FOREWORD



Statutory Background

The Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) is a non-departmental public body sponsored by the Department for Communities, established on 1 April 1950 by the Local Government (Superannuation) Act 1950, to administer and maintain a fund providing pension benefits for employees of local authorities and other admitted bodies. Prior to May 2016 NILGOSC's sponsor department was the Department of the Environment.

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 2016 to the Department for Communities.

The Committee

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

Committee's Responsibilities

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

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

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

Audit

The Local Government Pension Scheme Regulations (Northern Ireland) 2014 provide for the accounts kept by the Committee to be audited annually by the Local Government Auditor. Her staff are wholly independent of NILGOSC and the audit fee is disclosed in note 7 to the Financial Statements. 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.

Important Events Occurring After the Year End

Subsequent to the year end the United Kingdom voted to leave the European Union. The impact of this on the pension scheme is unclear and NILGOSC will continue to review this situation going forward.

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 2016 NILGOSC paid 1,224 invoices totalling £16.02m on 10 day terms, of which 110 undisputed invoices were late. 96% of invoices were paid within 30 calendar days and no late payment interest was payable during the year. The average time to pay invoices during the year was 8 working days (2014/15: 8 working days).

PERFORMANCE REPORT

OVERVIEW



(i) STATEMENT FROM CHIEF EXECUTIVE

David Murphy
Chief Executive and Secretary

2015/16 has seen yet another busy and challenging year for the pension industry in general and more specifically for the Local Government Pension Scheme (LGPS) in Northern Ireland. The new Career Average Revalued Earnings (CARE) scheme came into operation on 1 April 2015 and brought with it arguably the biggest single change in the LGPS for the 65 years that NILGOSC has been in existence. The new LGPS scheme saw fundamental changes to the final salary benefit structure which meant that from 1 April 2015, scheme members 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. The administration challenges that accompany such a transition are referred to in more detail in the sections below.

Notwithstanding the headwinds faced by the pension industry as a whole, NILGOSC embraced this period of change and it is pleasing to be able to report on a number of key administration and investment successes during 2015/16.

This statement is intended to provide a summary of NILGOSC's activities and achievements during the year ended 31 March 2016.

Investment Performance

Despite the significant changes in scheme administration in April 2015, NILGOSC's focus on scheme sustainability and investment performance was a key priority over the last twelve months. After several years of growth markets and strong equity returns, global financial markets entered a period of sustained volatility in 2015/16 with declining oil prices, a slowdown in the Chinese economy and interest rates movements dominating the agenda. The NILGOSC Fund hit a record high in May 2015, reaching £5.9bn, however increasing investor uncertainty in the latter half of 2015 and into 2016 saw the Fund end the year a little lower at £5.820bn. During 2015/16 NILGOSC achieved an overall fund return of -0.4% (gross of investment manager fees).

Markets posted mixed returns, with US equities, bonds and property markets delivering positive returns. As a pension scheme, NILGOSC's investment horizon is much longer and as a result it is not unduly concerned with short term events and volatility. On a three and five year basis the Fund has outperformed against its overall investment target of Consumer Price Index +5%. Active management of the investment portfolio remained at the top of our investment agenda throughout the year with all 9 investment managers being held to account over their stewardship of their respective funds.

In November 2015, NILGOSC decided to withdraw its mandate with one of its global equity managers, Edinburgh Partners, and a replacement mandate was identified in March 2016. Over the last 24 months, NILGOSC has been seeking suitable infrastructure investments as part of its medium term strategy of reducing reliance on global equity markets and diversifying its returns by investing in assets that provide longer term, stable and inflation-linked cashflows. During 2015/16, NILGOSC invested £19m in two global infrastructure funds, being partial investment of its total commitment of approximately £80m. The year ahead will see a continued

focus on identifying suitable alternative investment opportunities with the aim of reaching the initial target allocation for infrastructure of £150m by the end of 2016.

Whilst the primary investment focus remains on delivering stable and positive financial returns for scheme members and employers, NILGOSC continues to take its responsibilities as a global investor seriously. Details on NILGOSC's responsible investment activities can be found in the Investment section of this Annual Report however it is worth mentioning that in October 2015 NILGOSC held its first Climate Risk Workshop in conjunction with its investment managers and advisors. This is an important issue for NILGOSC and one which we will continue to explore over the period ahead.

Scheme Administration

It is difficult to overstate the impact that the introduction of the new CARE LGPS had on scheme administration during 2015/16. Despite considerable planning and preparation, the complexity of the new scheme had a material impact on NILGOSC as the scheme administrator as well scheme members, employers and third party providers. The fundamental nature of the changes in benefit structure required substantial bespoke software developments and changes for both NILGOSC and scheme employers and the core scheme administration software was delivered in March 2015, a matter of days before the effective date. Teething problems with certain aspects of the software and the new Scheme Regulations have unfortunately impacted on service delivery during 2015/16 and although largely unavoidable, it means our performance as measured by our internal service standards is not at the level that we would hope to achieve in 'normal' conditions. The wider NILGOSC team has worked hard to provide a service to all its stakeholders during the first year of operation for the new scheme and we hope that for the majority of our members and employers it has simply been 'business as usual'.

The changes to the scheme also had an impact on scheme members and NILGOSC did experience a significant increase in telephone calls and queries following the introduction of the new CARE arrangements. At a national level, changes to the way individuals can access certain pension arrangements under the UK Government's Freedom & Choice regime resulted in a further increase in member demand in the first half of the financial year. Despite this backdrop, NILGOSC's focus remained to provide scheme members, pensioners and employers with 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 NILGOSC invested considerable resources during 2015/16 to ensure that its members receive relevant, tailored and timely information on their pension scheme. We are delighted with the results of the annual satisfaction survey undertaken in May 2016 which shows that 88.1% of respondents rated their overall satisfaction with the service they received as being good or excellent.

Public Sector Reform & Restraint

2015/16 was also the year in which NILGOSC, as a pension scheme administrator, started to feel the impact of public sector reform. Many of the employing authorities in the NILGOSC scheme have been, or will be, affected by the reform of the Local Government and Education sectors as well as the implementation of public sector voluntary exit schemes. During 2015/16 NILGOSC processed over 2,800 requests for quotations as a result of early exits alone. We expect this trend to continue into 2016/17 and beyond, with the crystallisation and payment of retirement benefits to members affected by public sector reform. A project team was established in May 2015 to meet this extra demand, with further resources added in early 2016/17 to provide the additional support needed to maintain service delivery over the next 12-18 months.

2016 Valuation

2016 is a valuation year for NILGOSC and the first half of 2016/17 will see the completion of the next triennial actuarial valuation of the Fund. This process will see how the assets held within the fund compare to the total liabilities payable as at 31 March 2016 and will impact on the contribution rates payable by employers for the three years ahead.

A key part of this process is a focus on employer strength and during 2015/16 NILGOSC completed its first formal review of scheme employers' ability to meet its liabilities, both current and future. This review established a framework for future covenant review exercises and will inform the review taking place early in 2016/17 in advance of the 2016 valuation. Scheme affordability remains high on NILGOSC's agenda and alongside this sits a responsibility to ensure that the Fund and its employers remain adequately protected against the risk of employer default. This is more pertinent than ever given the on-going pressure of financial restraint within the wider public sector.

Looking Forward

It will be another challenging year in 2016/17, starting with changes to the National Insurance regime in April 2016 and the corresponding reconciliation exercise that NILGOSC will be required to undertake on its Guaranteed Minimum Pension records. As we enter the second year of operation for the CARE scheme, we will also continue to work with our stakeholders to enhance our systems and processes, as well as focusing on improving our performance as measured against service standards. This is in addition to the work associated with the triennial valuation process and the increase in demand due to the public sector severance schemes referred to above.

Significant Departures and New Appointments

NILGOSC is managed by a team of Executive officers, overseen by a Management Committee appointed by the Minister for Communities. One Committee member, Ciaran Quigley, reached the end of his term of office on 30 September 2015 and his contribution to the Management Committee and Audit Committee is duly acknowledged. On 1 March 2016, the Minister appointed Joan McCaffrey for a four year term ending on 29 February 2020 and we welcome her to this new role.

At a staff level, NILGOSC welcomed a number of new officers during 2015/16 as it brought on board new skills and experience to assist with the many challenges ahead.

Thanks

Finally I would like to express my gratitude to the Management Committee which has devoted considerable time and effort to NILGOSC over the past year. In addition, 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. Thank you all very much for your commitment and support, it is greatly appreciated.

(ii) STATEMENT OF PURPOSE AND ACTIVITIES OF THE ORGANISATION

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

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

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

The Scheme is funded by contributions made by both employees and employers who have been designated as employing authorities or admitted to the Scheme. All contributions are paid into a fund, the 'Fund', which is used to pay scheme benefits and other payments, as well as the costs of administering the pension scheme and investment fund.

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

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

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

Under the six corporate aims sit a number of business objectives and operational actions, each of which has its own performance indicator against which success can be measured. The full corporate plan together with a detailed performance analysis is set out on pages 9 to 34.

(iii) KEY ISSUES AND RISKS

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

Further information on NILGOSC's risk assurance framework is contained within the Governance Statement on pages 39 to 44.

The biggest threat to the achievement of the 2015/16 Corporate Plan relates to the first corporate aim and the ability to meet certain predetermined administration service standards. 2015/16 has been a year of significant change for NILGOSC with the introduction of the new Local Government Pension Scheme on 1 April 2015. The move from a final salary defined benefit scheme to a Career Average Revalued Earnings (CARE) defined benefit scheme saw a fundamental change in the way that scheme benefits are accrued and administered. New systems and processes have been brought in to allow NILGOSC to administer the new scheme effectively however challenges remain as scheme members, employers and third party software providers adapt to the new regime.

The introduction of the new scheme brought with it a number of operational challenges not least a relatively short timeframe to have all administration systems and software updated to

administer the scheme. Given the scale of the changes to the LGPS benefit structure which were effective from 1 April 2015, service delivery was affected during 2015/16 as NILGOSC and scheme employers adapted the systems, processes and procedures needed to meet the additional information requirements of the CARE scheme.

Legislative change at a wider sector level has a material impact on the ability to deliver against objectives and service standards, particularly when change is significant or it is introduced with little or no lead-in time. For example, the processing of Transfer Payments was significantly impacted during 2015/16 as a result of the introduction of Freedom and Choice by the Government. The introduction of Freedom and Choice legislation, effective from 6 April 2015, brought with it an increase in member queries and a corresponding increase in checks and confirmations required for members seeking to transfer out of the LGPS. Further changes to discount factors used in public sector pension schemes were introduced by the Chancellor in the March 2016 Budget and the subsequent absence of updated Government-issued factors resulted in an immediate suspension of certain transfer calculations and processing. Such changes require not insignificant changes to software programming and the corresponding increase in processing time is reflected in the performance reported against administration service standards. Service delivery to both scheme members and employers remains a key business priority and is reflected accordingly in future business plans.

The second external event which has had a material impact on service delivery is public sector reform and the roll-out of a variety of early exit schemes across a number of scheme employers. Many of the employing authorities in the NILGOSC scheme have been, or will be, affected by the implementation of reform within the Local Government and Education sectors. From NILGOSC's perspective, this manifests itself by way of a significant increase in demand for early retirement quotation requests, retirement and redundancy benefits payable and this is expected to continue

over the next twelve to eighteen months.

From a financial perspective, public sector reform and financial constraint remains the dominating backdrop for NILGOSC over the short and medium term. Both issues have material implications for service delivery demands, membership and funding levels as well as employer stability and strength. Many public bodies have experienced budget cuts or freezes over the last twelve months and a consequence of this is that the long term financial position of some scheme employers is less certain than before. 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 will be undertaking an employer covenant assessment in conjunction with the 2016 valuation, to help manage and mitigate the risk to both the Fund and other scheme employers.

Changes to the LGPS following the introduction of the CARE scheme in April 2015 have brought with it a new level of technical complexity for both scheme members and employers alike. This has manifested itself in a significant increase in queries from all stakeholder groups and managing this demand will continue to be a key priority. Despite the technical nature of pensions, one of NILGOSC's ambitions is to ensure that its members and employers understand their pension scheme. In addition to servicing the members of the pension scheme, NILGOSC also provides a vital service to its other key stakeholder group, the 170+ employing authorities that contribute to the scheme. The implementation of the new scheme on 1 April 2015 not only affected the software that NILGOSC uses to administer the scheme, but also scheme employers, who have been required to make substantial software changes to their payroll and HR systems in order to provide NILGOSC with the information required. Any failure by employers to meet the information requirements and deadlines set out under the new regime will have a detrimental impact on NILGOSC's ability to provide a service to members and

administer the scheme in line with the regulations. Accordingly, stakeholder education and engagement will remain a key activity and priority for the year ahead.

Finally, from an investment perspective, NILGOSC is required to maintain a Fund which is sufficient to provide for the payment of current and future benefits to members of the Scheme. In order to do so, NILGOSC aims to have in place a suitable investment strategy which provides both a high return on investments and an acceptable level of risk. This focus on long term scheme sustainability and the achievement of solid long term returns from a suitably diversified investment portfolio is an important part of NILGOSC's risk management process.

(iv) PERFORMANCE SUMMARY

The following summarises NILGOSC's performance from both a Scheme Administration and Investment perspective. A detailed analysis of performance across both the administration and investment functions can be found on pages 9 to 34 in the Performance Analysis section of the Annual Report.

Administration of the Scheme

- Membership of the Scheme continued to grow during the year with 114,026 contributing members, pensioners and deferred members at 31 March 2016 (109,462 at 31 March 2015).
- Five new employing authorities were admitted to the scheme during 2015/16 and five employing authorities ceased during the year. At the year-end there were 178 bodies contributing to the Scheme.
- 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 1.2% with effect from 6 April 2015 in accordance with the Pensions Increase (Review) Order (Northern Ireland) 2015.
- All Scheme literature was updated during the year to reflect the new CARE Scheme.
- NILGOSC met seven out of its fifteen service standards during 2015/16 as performance was materially impacted by the implementation of the new CARE regime on 1 April 2015 and the resulting impact on member and employer demand. The introduction of Freedom & Choice and the roll-out of early exit schemes by the Government also adversely impacted on service delivery during the year.
- A stakeholder satisfaction survey was undertaken in May 2016 to measure the satisfaction levels of Scheme members, pensioners and employers. The total satisfaction rating for the year was 88% (2014/15: 91%).
- NILGOSC achieved, substantially achieved or is on target to achieve 64 out of the 73 operational actions included in its 2015/16

Corporate Plan. This equates to an achievement rate of 87%.

- During the year ended 31 March 2016 NILGOSC received a total of 46 ill-health retirement appeals and 8 formal complaints.

Investment of the Fund

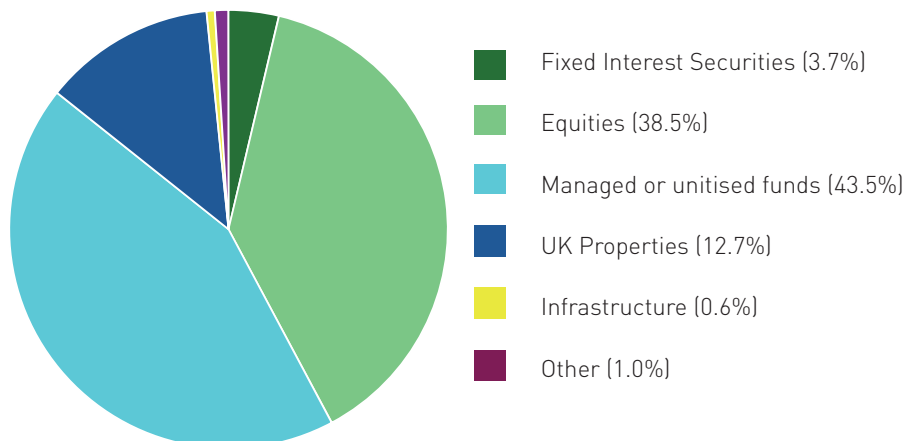
- The value of the Fund decreased by £0.6m to £5.820bn during the year ended 31 March 2016, a decrease of 0.01%.
- The overall return on total assets for the year was -0.4% (2014/15: 15.1%). The Fund met its investment target which is to exceed CPI +5% over a three and five year period as follows:

	3 Years	5 Years
NILGOSC	7.4%	7.8%
CPI+5%	5.7%	6.7%

- Markets were volatile over the year to 31 March 2016 and posted mixed returns, with US equities, bonds and property delivering positive returns.
- The Fund is invested across a range of different asset classes as shown in the diagram below.
- Four of NILGOSC's ten investment mandates outperformed their respective benchmarks for the year ended 31 March 2016.
- In November 2015, NILGOSC commenced its search for a specialist global equity manager to replace Edinburgh Partners. The transition of assets to the replacement manager is expected in the first half of 2016/17.

- As part of its medium to longer term plans to diversify returns and identify suitable infrastructure investment opportunities, £19m of its total commitment to infrastructure funds of £80m was drawn down during 2015/16.
- NILGOSC voted in 532 investee company AGMs and other corporate meetings during 2015/16. The main areas of dissent continue to be executive remuneration practices and board composition.
- In October 2015, NILGOSC held its inaugural Climate Risk workshop with its investment managers and advisors in attendance. The focus of this event was to identify climate risks within the investment portfolio; consider how these risks are currently being addressed; and determine what opportunities there are to manage climate risk going forward into a low carbon economy.

Fund Asset Allocation at 31 March 2016



PERFORMANCE REPORT

PERFORMANCE ANALYSIS



(i) SUMMARY

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

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

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

The key measure of performance for the investment of the fund is the overall return on total assets. NILGOSC’s overall investment target is to exceed the Consumer Price Index by 5% per annum, to be measured over a three and five year period. The performance of individual investment managers is monitored against their corresponding benchmark and performance target on a quarterly basis. In relation to asset allocation, NILGOSC sets a long-term investment strategy which informs the Fund’s asset allocation target and the actual asset allocation of the Fund is monitored on a regular basis.

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

(ii) ADMINISTRATION OF THE PENSION SCHEME

Scheme Benefits and Contributions

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

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

The ranges for the bands for tiered contribution rates are revised by the Department for Communities in April each year in accordance with the pensions increase. The revised bands, effective from 1 April 2015, were as follows:

Actual Pensionable Pay Range	Employee Contribution Rate
£0 - £14,000	5.5%
£14,001 - £21,300	5.8%
£21,301 - £35,600	6.5%
£35,601 - £43,000	6.8%
£43,001 - £85,000	8.5%
More than £85,000	10.5%

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.

The next triennial valuation is due as at 31 March 2016 and the outcome of the valuation will determine the employer contribution rates for the 3 years commencing 1 April 2017.

Scheme Status and Regulations

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 for Communities to make regulations providing for pensions, allowances and other gratuities for persons employed by local authorities and other bodies. Since the 1972 Order, various regulations have been issued detailing the provisions governing the Local Government Pension Scheme in Northern Ireland. The provisions that relate to the 2015/16 financial year are contained in the following sets of regulations:

Effective from 1 April 2015, as amended

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

The Scheme is also governed by:

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

The new Public Service Pensions Act (Northern Ireland) enacted on 11 March 2014 came into effect on 1 April 2015. This Act sets out a common framework for the new public service pension schemes in Northern Ireland.

As a public service pension scheme, the Scheme was contracted out of the State Second Pension (S2P) up until 5 April 2016 and is a registered public service scheme under Chapter 2 of Part 4 of the Finance Act 2004. Automatic registration was achieved by 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.

New Regulations

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 made provision for the introduction of a cost control mechanism to the Scheme as well as making a number of minor technical amendments.

The Funded Public Service Pension Schemes (reduction of Cash Equivalents) Regulations (Northern Ireland) 2015 (SRNI 2015/272)

These regulations allow the relevant Department to designate a funded public sector scheme if it felt that there was an increased likelihood of payments out of public funds having to be made into the scheme to enable it to meet its liabilities. There was concern that the new 'Freedom and Choice' options applying to Defined Contribution Schemes could result in an outflow of transfer value payments from the funded public sector schemes. The Department can designate a scheme and protect its funding by reducing transfer values for a specified period of time.

The Local Government Pension Scheme (Amendment) Regulations (Northern Ireland) 2016 (SRNI 2016/128)

These regulations, made on 8 March 2016 came into operation with retrospective effect to 1 April 2015. These amendments mainly corrected and clarified the 2015 Scheme regulations along with some minor technical amendments. One significant change was the new provision to allow deferred members who had left the Scheme before 1 April 2015 to access their pension benefits on a reduced basis between ages 55 and 60 without needing employer consent.

Scheme Membership

The number of active, deferred and pensioner members of the Scheme continued to grow during 2015/16. At the end of 2014/15 several 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. These were detailed in the 2014/15 Annual Report. Some other cessations and mergers also took place during 2015/16, which are detailed below.

Members

Membership of the Scheme increased during the year to 114,026 members. At 31 March 2016, the Scheme consisted of 53,724 contributing members, 31,581 pensioners and 28,721 deferred members.

Employing Authorities

At 31 March 2016, there were 178 employing authorities contributing to the Scheme. These employing authorities were composed of 11 councils, 1 Education Authority, 1 library authority, 56 associated bodies, 88 schools, 9 further and higher education colleges and universities and 13 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 2015/16:

Employing Authority	Date of Admission
arc21*	1 April 2015
Education Authority (admission agreed on 31 March 2015 with effect from 1 April 2015) **	1 April 2015
Northern Community Leisure Trust 2 (pension liabilities relating to transferring staff were transferred from Ards and North Down Borough Council)	1 April 2015
St Ronan's College (pension liabilities relating to staff formerly employed in St Mary's and St Paul's were transferred from the Education Authority)	1 September 2015
St Patrick's Grammar School, Armagh (pension liabilities relating to staff formerly employed by St Brigid's High School were transferred from the Education Authority)	1 September 2015
Coleraine Grammar School (accepted the transferring pension liabilities from Coleraine Academical Institution and those relating to transferring staff from the Education Authority)	1 September 2015

* arc21 is a Joint Committee of a number of councils constituted as a body corporate by The Local Government (Constituting a Joint Committee a Body Corporate) Order (Northern Ireland) 2015. It succeeded another Joint Committee with the same name, which is shown in the table below of employing authorities which ceased in 2015. As a direct consequence of reform of the councils in Northern Ireland existing arc21 had to be dissolved (as its participant councils ceased to exist) and new arc21 was established as a Joint Committee of various of the new councils. As it was a new legal entity, there was a new admission. All liabilities to the Scheme were transferred from the existing arc21 to the new arc21.

** The admission of the Education Authority was included in the Annual Report for 2014/15

The following employing authorities ceased during the 2015/16 year:

Employing Authority	Date of Cessation
arc21	1 April 2015
Ulidia Housing Association (transfer of engagements and pension liabilities to Choice Housing Ireland)	12 June 2015
Coleraine Academical Institution (pension liabilities transferred to the newly admitted Coleraine Grammar School)	1 September 2015
Ards Citizens' Advice Bureau	31 March 2016
Down District Citizens' Advice Bureau	31 March 2016
Ilex	31 March 2016

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 1.2% with effect from 6 April 2015 in line with the September to September increase in the Consumer Price Index.

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 participated 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 2016, 26 cases, with overpayments totalling £10,203.90, had been identified. 14 of the overpayments had been confirmed and repaid (£6,386.34) and the remaining cases, totalling £3,805.13, were being investigated. As at 31 March 2016, 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 previous NFI data matching and mortality tracing exercises and will be participating in the NFI 2016/17 data matching exercise.

Equality Scheme

NILGOSC has a commitment to the fulfilment of its duties under Section 75 of the Northern Ireland Act 1998 and NILGOSC's Equality Scheme states that it will report on the progress it has made in the delivery of its Section 75 statutory duties. NILGOSC's Annual Equality Statement is set out on page 84 of this report.

Sustainability Targets

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

Publications

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

- Member Guide to the Local Government Pension Scheme (Northern Ireland)
- 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 0333 200 2425. The Regulations are also available online at www.legislation.gov.uk.

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

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

Performance Standards

In May 1997, the Management Committee approved service standards for key NILGOSC activities, and set a performance target for each service standard. The service standards are reviewed annually, and performance against the targets is monitored by the Committee. In May 2016, the internal auditor, ASM, tested NILGOSC's service standards reporting system and performance outturn as part of its annual validations review. The table on the following page is a summary of performance against the service standards during 2015/16.

TASK	STANDARD (WORKING DAYS)	TARGET	WITHIN STANDARD
Lump sum retirement payments	10 days	90%	93%
Death grant payments	10 days	90%	97%
Leaver options notifications	20 days	90%	36%
Refund payments	10 days	95%	93%
Transfer out quotations	20 days	90%	58%
Transfer out payments	10 days	90%	68%
Transfer in quotations	10 days	90%	68%
Transfer in confirmations	20 days	90%	84%
New entrants certificates	20 days	95%	99%
Correspondence	10 days	95%	81%
Benefit quotation requests	10 days	90%	86%
Issue members' annual report	by 30 November	100%	100%
Issue members' annual benefit statement	Within 6 months of year end, unless relevant data unavailable	100%	100%
Pensions paid each month	Last banking day of month	100%	100%
P60s issued to all pensioners	By 31 May	100%	100%

It is acknowledged that performance fell short of target for 8 of the 15 service standards in 2015/16. Performance was adversely affected by the implementation of the new CARE Scheme on 1 April 2015, increased member and employer queries in relation to the new Scheme, the introduction of Freedom and Choice in April 2015 and the significantly higher volumes of quotations and retirements generated as a result of early exit schemes implemented across the public sector.

Satisfaction Survey

A Stakeholder Satisfaction Survey for the year 2015/2016 was carried out in May 2016. 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 13%.

In addition, online surveys were also sent to all 181 employing authorities. A total of 20 employers responded to the survey, a response rate of 11%.

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 75% of deferred members to 97% of pensioners who rated their overall satisfaction with the service they received as being good or excellent. The total overall satisfaction rate for all respondents was 88.1%, a decrease from last year's overall rating of 91.5%. Of all responses received from members, deferred members and pensioners, only 4.5% rated their overall satisfaction as below average.

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. 86.9% of respondents rated NILGOSC communications as being good or excellent, which was an increase from 80% in 2014/15.

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. 90.6% of respondents rated these categories as good or excellent. 94.1% 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.

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 2016, the cost per member adjusted for inflation increased in comparison to previous years. This is a result of the cost of the additional resources required to meet the additional demand arising from early exit schemes along with an increase in other administration expenses, mainly a reduction in the revaluation gain in respect of Templeton House and increased depreciation resulting from an upgrade of the pension software system towards the end of 2014/15.

YEAR ENDED 31 MARCH	TOTAL MEMBERS	NUMBER OF STAFF	MEMBERS/ STAFF	ADMIN EXPENSES £'000	COST/ MEMBER £	COST ADJUSTED FOR INFLATION £
2007	78,511	41	1,915	2,032	25.87	31.85
2008	82,716	41	2,017	2,062	24.93	29.62
2009	86,812	46	1,887	2,353	27.10	31.51
2010	88,568	50	1,771	2,659	30.02	33.79
2011	90,667	50	1,813	1,950	21.51*	23.16*
2012	92,761	49	1,893	2,357	25.40**	26.61**
2013	95,382	50	1,908	2,892	30.32	30.96
2014	103,382	53	1,951	3,112	30.10	30.25
2015	109,462	58	1,887	3,267	29.85	30.00
2016	114,026	64	1,782	3,803	33.35	33.35

* 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 £33.47 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 take this up with the employer via its complaints and disputes procedure.

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

NILGOSC operates a two stage process for Reviews and Complaints. At stage one, the individual sends the Services Manager at NILGOSC a letter or a Reviews and Complaints Form giving details of the complaint, and asking for a review of the decision. The form is

available on the NILGOSC website or on request from the Pensions Service team. The person appointed to consider a stage one review is NILGOSC's Secretary, Deputy Secretary or Acting Secretary.

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

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

NILGOSC received 46 ill-health retirement benefit appeals, 8 formal complaints and 11 informal complaints

during 2015/16, a total of 65 appeals/complaints. Of the 46 ill-health retirement benefit appeals, 14 progressed to stage two reviews, 5 of which were upheld. 1 of the 8 formal complaints progressed to a stage two review and was not upheld at this stage.

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

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

Review of Corporate Plan 2015/16

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 2016/17 – 2018/19 Corporate Plan can be downloaded from the NILGOSC website at www.nilgosc.org.uk. As can be seen from the table below, a significant proportion of the 2015/16 Corporate Plan was completed or on target at 31 March 2016.

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 2016	STATUS
1.1 To pay members' pension benefits, refunds and transfers promptly and accurately	1.1.1 To pay monthly pensions promptly and accurately	Paid by last banking day of the month	100% of pensions paid by last banking day of the month	Achieved
	1.1.2 To pay pension lump sums promptly and accurately	Within 10 working days of the receipt of the relevant details	93% of lump sums paid within target, average time taken - 8 days	Achieved
	1.1.3 To pay refunds of contributions promptly and accurately	Within 10 working days of receiving a valid application	93% of refunds paid within target, average time taken - 7 days	Substantially Achieved
	1.1.4 To pay transfer payments promptly and accurately	Pay the cash equivalent within 10 working days of receiving authority	68% of transfer out payments within target, average time taken - 14 days	Moderately Behind Target
	1.1.5 To reconcile member GMP values with those held by HMRC	Reconciliation completed by 31 March 2016	Preliminary data analysis and pilot exercise completed and project team recruitment on-going. Performance indicator updated in 2016/2017 Corporate Plan to reflect revised HMRC timeframe of 31 December 2018.	On Target
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 4 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 pension accrued annually	For 100% of employers by 31 December	217 of the 217 annual returns reconciled	Achieved
	1.2.3 To credit pension account on receipt of transfers into the Scheme promptly	Provide confirmation within 20 working days of receiving the transfer payment	84% of transfer in confirmations processed within target, average time taken - 13 days	Substantially 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	Payment Schedule agreed for United Dairy Farmers, all other reports issued within timescales	Achieved

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2016	STATUS
1.3 To provide members with information needed to make pension decisions promptly	1.3.1 To respond to member queries	Within 10 working days	81% of correspondence responded to within target, average time taken - 11 days	Moderately Behind Target
	1.3.2 To provide members leaving the Scheme with option choices	Provide a statement of benefit options within 20 working days of notification	36% of early leaver notifications processed within target, average time taken - 60 days	Significantly Behind Target
	1.3.3 To provide members with benefit quotations on request	Benefit quotations issued within 10 working days	86% of benefit quotations processed within target, average time taken - 6 days	Substantially Achieved
	1.3.4 To provide members and deferred members with benefit statements	Benefit statements issued within 6 months of year end	Benefit statements were issued to all members where valid pay information was available by 30 September 2015	Achieved
	1.3.5 To provide members with annual allowance statements as applicable	Statements issued by 6 October	Annual allowance statements were issued to all members who were identified as exceeding the annual allowance by 6 October	Achieved
	1.3.6 To provide an estimate of a cash equivalent transfer value	Within 20 working days of receipt of relevant details	58% of transfer out quotations processed within target, average time taken - 26 days	Significantly Behind Target
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	96% of dependants' pension paid within target, average time taken - 5 days	Achieved
	1.4.2 To pay death grants promptly	Within 10 working days of receipt of relevant proof of title	97% of death grants paid within target, average time taken - 2 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	New processes put in place for Freedom and Choice	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 trained on transfers and Freedom and Choice and briefed on the amending regulations	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	Heywood advised of software amendments needed for SRNI 2015 No 272 amendments. Regulations made 11 June 2015 and operational from 7 July 2015 however programming completed in February 2016.	Not Achieved

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2016	STATUS
	1.5.4 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 – 99.66% Legacy record data accuracy – 99.49%	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	6 FOI requests and 53 subject access requests (SARs) have been received in the period to 31 March 2016. All requests were responded to within the deadline	Achieved
	1.6.2 To implement the Retention and Disposal Schedule	Schedule effective by 31 December 2015	A Disposal Database, to record disposals and ensure linkage with the Retention and Disposal Schedule, and accompanying procedure was developed during the period. The Retention and Disposal schedule will be implemented during 2016/17.	Not Achieved
1.7 To ensure NILGOSC attracts and retains well trained personnel	1.7.1 To ensure all staff complete training plans and undertake appropriate training	That all staff complete plans and that training is received	All appraisal discussions and identification of training and development needs were completed. In the year to 31/03/16, 1663 hours of training were completed - 31% of this relates to specific training needs identified during appraisals.	Achieved
	1.7.2 To undertake a review of effectiveness of revised structure and job evaluation exercise	Review completed by 30 September 2015	Review completed and paper presented to staffing committee in October 2015. Budgetary approval for changes obtained in November 2015.	Achieved
	1.7.3 To review the factors affecting staff retention and identify any areas for improvement	Review completed by 31 March 2016	Internal review of existing pay scales completed Q3. Retention metrics included in review demonstrated a reduction in staff turnover over previous 3 years.	Achieved

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2016	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 on-going needs of stakeholders and staff	Full office refurbishment completed by 31 December 2016	Plans for ground and first floor being reworked to accommodate changes arising from the 2015 staffing review. Completion date has been rolled forward in 2016/17 Corporate Plan.	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	96% 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 2016	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	A timetable has been drafted and agreed with the actuary. Preliminary data cleansing has commenced.	On Target
	2.1.2 To ensure employer contribution rates for 2015/16 implemented	Collect minimum contributions due under current Rates and Adjustment certificate	All employers with a change in contribution rate for 2015/16 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 2016 was ahead of fund target of CPI+5% by 1.7% and 1.1% 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 2016 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: £4,951.09 to 28 February 2016; Stock Lending: £955,094.76 to 28 February 2016; Class Actions: £76,221.63 to 31 March 2016.	Achieved

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2016	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	To 31 March 2016, votes were cast at all 532 meetings where research allowed an informed decision to be made. 181 engagement letters issued to UK and European companies (117 UK; 64 European) and 57 responses received to date (35 UK; 22 European). £76,221.63 recovered through class actions to 31 March 2016.	Achieved
	2.3.2 To undertake a review of the sustainability of the fund including future funding mechanisms	Review complete by March 2016	Workshops held with Committee in April and November 2015 and discussed in May, September and December 2015 meetings.	Achieved
	2.3.3 Review Statement of Investment Principles (SIP) and Funding Strategy Statement (FSS)	Revise FSS and revise SIP when necessary	The FSS was last updated in March 2015 and is currently being reviewed in advance of triennial valuation. The SIP was last updated and approved by the Committee on 29 April 2014.	Achieved
	2.3.4 To monitor employer covenants in line with Funding Strategy Statement	Review complete by 31 March 2016	An employer circular was issued in December 2015 to request the information required to perform a full review of employer covenants. A full review will be completed in advance of the 2016 triennial valuation.	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 2016	STATUS
3.1 To actively encourage retention in, and new membership of, the Scheme	3.1.1 To monitor the level of members opting-out of the Scheme, understand the reasons and market the Scheme to non-members	Maintain active membership levels at March 2015 levels	Active members at 31 March 2015 - 52,876. Active members at 31 March 2016 - 53,724. This is a net increase of 848 members.	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	Published where necessary	Achieved
	3.2.2 Provide employee and employer seminars	Employer satisfaction rating as measured through annual satisfaction survey	14 seminars provided. 7 on the 2015 Scheme and administration, 2 on retirement, 4 on redundancy, 1 workshop on annual and lifetime allowance.	Achieved
	3.2.3 To lay the annual report in the NI Assembly	In accordance with date agreed with Department	The Annual Report and Accounts 2014/15 was laid with the NI Assembly on the agreed date of 8 September 2015.	Achieved
	3.2.4 To implement the Communications Strategy	Actions completed in line with target dates	Actions completed in line with target dates	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	All communications within timescales	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	99% of new members processed within target Average time taken - 1 day	Achieved
3.4 To provide advice on the pensions implication of other changes such as public sector reorganisation	3.4.1 Continue to work with affected bodies and staff to explain pension implications	Meetings with bodies, advice given to members, satisfaction with NILGOSC service. Representation on working groups.	Met with Education Authority to discuss bringing forward its staging date. Meetings with several employers to assist with the pensions aspect of their severance schemes.	Achieved
	3.4.2 Determine the implications of reorganisation on the ability to deliver a pension scheme	Undertake staffing needs assessment by June 2015	Redundancy team in place in June 2015 to provide additional support for additional work arising due to public sector redundancies. Requirement for additional resources identified in review at 1.7.2 and will continue to be monitored in line with employer demands.	Achieved

4. To influence the future of the Local Government Pension Scheme.

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2016	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	Circulars issued and all employer seminars carried out to advise of potential scheme changes.	Achieved
	4.1.2 To respond to relevant Government consultation exercises	By consultation reply date	Responded when relevant	Achieved
	4.1.3 To respond to Department of the Environment consultation exercises	By consultation reply date	Responded when relevant	Achieved
	4.1.4 To contribute to consultee groups eg NAPF, LGPC, LAPFF etc	To have representation on all groups	Representation continues on all groups	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	Alerted employers to Government plans to cap Exit payments	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 Amendment Regulations in March 2016	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 2016	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	Annual governance statement prepared in June 2015	Achieved

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2016	STATUS
	5.1.3 Participate in data matching exercises as appropriate	Identify invalid payments and recoup losses	1,376 matches identified through 2014/15 NFI exercise, all have been processed – potential overpayments of £10,204 were identified. 14 overpayments were confirmed and repaid totalling £6,386 and 12 are still being investigated, totalling £3,793. NILGOSC also participates in a monthly data sharing exercise with the General Register Office to identify deaths on a more timely basis.	Achieved
	5.1.4 To test Business Continuity procedures and ensure effective	Annual test of Business Continuity Plan	The 2015/16 annual test of the Business Continuity Plan (BCP) took place on 2 March 2016. The exercise tested NILGOSC's ability to run the monthly pensioner payroll in the absence of key staff and other procedures and information in the BCP. The test was successful and any areas for improvement were noted in an action plan for implementation by 30 June 2016.	Achieved
	5.1.5 Maintain a Risk Register and take actions to mitigate identified risks	The Risk Register is compiled, reviewed quarterly and action identified is completed	The 2015/16 risk register was agreed by the SMT, the Audit & Risk Assurance Committee (ARAC) and the Management Committee. Quarterly risk reviews have been undertaken by SMT during the year and reported to the ARAC and Management Committee, and the final review was undertaken on 25 April 2016.	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	Committee workshop held in April 2015 and draft Vision, Mission, Values and Strategic Objectives issued for consultation in May 2015. Final Vision, Mission, Values and Strategic Objectives agreed by the Committee in September 2015.	Achieved
	5.1.7 To undertake the retendering of goods and services	Tenders completed in line with procurement schedule	Tenders were progressed in line with the procurement schedule for 2015/16.	Achieved

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2016	STATUS
	5.1.8 To ensure that all Committee members undertake appropriate training, including induction training, in line with good practice, guidance and legislation	Each member has undertaken 40 hours of training/development per annum. Induction completed within 2 months of appointment.	As at 31 March 2016, Committee members completed 795 hours of training collectively, resulting in the Committee as a whole meeting its target. One member did not meet their individual annual 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	Digitisation element of project achieved and 100% member records are held electronically. Alternative record management system being considered during 2016/17 and project plan to be revised accordingly.	Moderately Behind Target
	5.2.2 To prepare specification and procure pension administration software to be operational by 31 December 2017	Software operational by 31 December 2017	Revised procurement strategy adopted in the first quarter of 2016/17 which will ensure there is a pension administration software contract in place and operational by 31 December 2017	On Target
	5.2.3 To continue to collect member email addresses, automate email address updating and preferencing, and use email for publications if desired by the member	Increase members opting for electronic publications by March 2016 by 10%	Number of members electing for email at 31 March 2015 was 9,378 active members, 3,420 deferred members and 842 pensioners. Figures at 31 March 2016 were 10,289 active members, 4,247 deferred members and 1,534 pensioners representing an overall increase of 18%.	Achieved
	5.2.4 To implement a system to allow for direct access to services by members	System operational by December 2017	Demonstrations have taken place from Heywood, Hymans (module now bought by Civica) and Equiniti. Data has been collected on the desirable features and a short comparison report prepared.	On Target
	5.2.5 To undertake a business process review of key systems	Review undertaken by September 2016	BCS engaged in September 2015 to undertake a business process review within pension administration. This review concluded in June 2016.	On Target

BUSINESS OBJECTIVE	OPERATIONAL ACTION	PERFORMANCE INDICATOR	PROGRESS AT 31 MARCH 2016	STATUS
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 Pension Software Project Board in place and operating effectively during 2015/16.	On 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 2016	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	Eight policies have been screened in the period to 31 March 2016. 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 April 2015	Performance indicator should read April 2017 therefore no action due in current reporting period	On Target
	6.2.2 To record annual recruitment monitoring information	Report submitted by 1 May each year	Review completed and submitted in April 2015	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 2015/16-2017/18	Actions completed in line with plan	The Equality Scheme Action Plan 2015-2018 was finalised and issued on 10 September 2015. The SMT formally reviewed progress against the action plan at its meeting in November 2015.	Achieved
	6.3.2 To submit s75 Annual Progress Report to include publication of EQIA monitoring information	Submission to Equality Scheme by 31 August 2015	The s75 Annual Progress Report was submitted to the Equality Commission for Northern Ireland on 3 August 2015	Achieved
	6.3.3 To publicise Equality Scheme in routine publications	Equality Scheme publicised in Annual Report, Members' News, Deferred Members' News and Pensioners' News	Publicised in Annual Report 2015/16 and all member newsletters issued in November 2015	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
Significantly Behind Target:	More than 75% behind target

(iii) INVESTMENT OF THE FUND

Background

The Regulations require NILGOSC to maintain a fund to provide for the payment of current and prospective benefits to members of the Scheme. In order to ensure that this objective is achieved, NILGOSC must determine a suitable investment strategy, which provides 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 2016 is included on pages 81 to 82.

Fund Management

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

NILGOSC has a statutory duty to:

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

NILGOSC maintains overall control of the Fund by:

- Agreeing the overall investment objectives with the fund managers taking into account actuarial

expectations and investment powers

- Setting targets for asset allocation
- Monitoring investment performance
- Monitoring investment transactions

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

Investment Aims and Objectives

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

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by consumers for a market basket of consumer goods and services. The annual percentage change in CPI is used as a measure of inflation and to index (i.e., adjust for the effect of inflation) the real value of wages, salaries and pensions to show changes in real values. NILGOSC's actuarial valuation as at 31 March 2013 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. 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.

In March 2014 NILGOSC reviewed the strategic asset allocation of the Fund and agreed a target allocation to be implemented over the medium term. The following table shows these asset allocations along with the current weighting as at 31 March 2016. It also sets out the approximate assumptions made about the real return for each asset class in determining the strategy as at 31 March 2016.

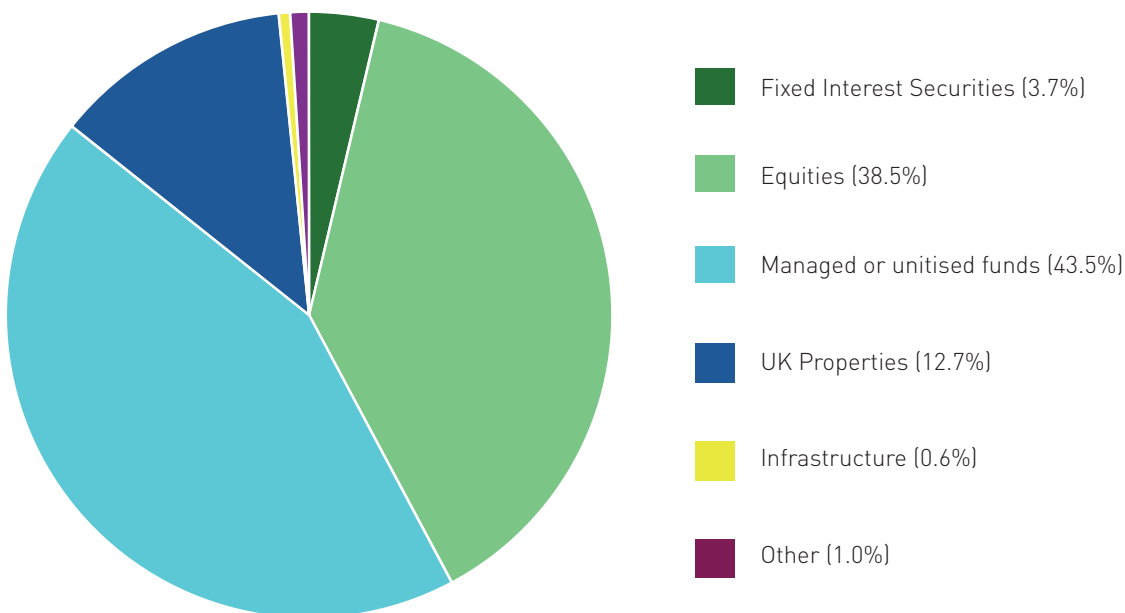
ASSET CLASS	STRATEGIC ALLOCATION %	TARGET ALLOCATION %	CURRENT WEIGHTING %	REAL RETURN % p.a.*
UK Equities	25.0	17.5	22.2	5.0
Overseas Equities	50.0	50.0	52.2	4.5
Index-linked Gilts	3.5	3.5	3.5	-0.25
Fixed Bonds	9.0	9.0	8.9	1.0
Property - Core	10.0	10.0	8.4	4.0
Property - Index-linked	2.5	5.0	4.8	3.0
Alternatives	0.0	5.0	0.0**	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 figures do not allow for active management in traditional (equity, bonds, property) asset classes.

**NILGOSC has committed £40m each to the Antin and KKR Infrastructure funds. These investments are still in the stages of drawdown and, therefore, are not included in the Total Fund Value or Benchmark for performance reporting purposes. As at 31 March 2016, NILGOSC had invested £23.3m in Antin and £8.7m in KKR.

The actual asset allocation as at 31 March 2016 is illustrated in the diagram below:

Fund Asset Allocation at 31 March 2016



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

A funding level of 100% has been targeted over a period of 20 years. NILGOSC believes that the Fund's investment strategy, in conjunction with the certified levels of future contributions to the Fund, is consistent with the requirement to return the Fund to 100% solvency within acceptable levels of risk and contribution rate volatility. The funding level will be 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 table on the following page sets out the fund managers in place to manage NILGOSC's investment portfolio as at 31 March 2016 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	8.1%
UK Unconstrained Equities	BlackRock Investment Management Jupiter Asset Management	6.6% 6.3%
Global Equities	Wellington Management	6.7%
Global Unconstrained Equities	Baillie Gifford Edinburgh Partners*	6.6% 5.1%
Passive Funds	Legal & General Investment Management	43.4%
Bonds	Wellington Management	3.9%
Traditional Property	LaSalle Investment Management	8.2%
Index Linked Property	LaSalle Investment Management	4.6%
Infrastructure	Antin Infrastructure Partners KKR Global Infrastructure Investors	0.4% 0.1%

Source: HSBC

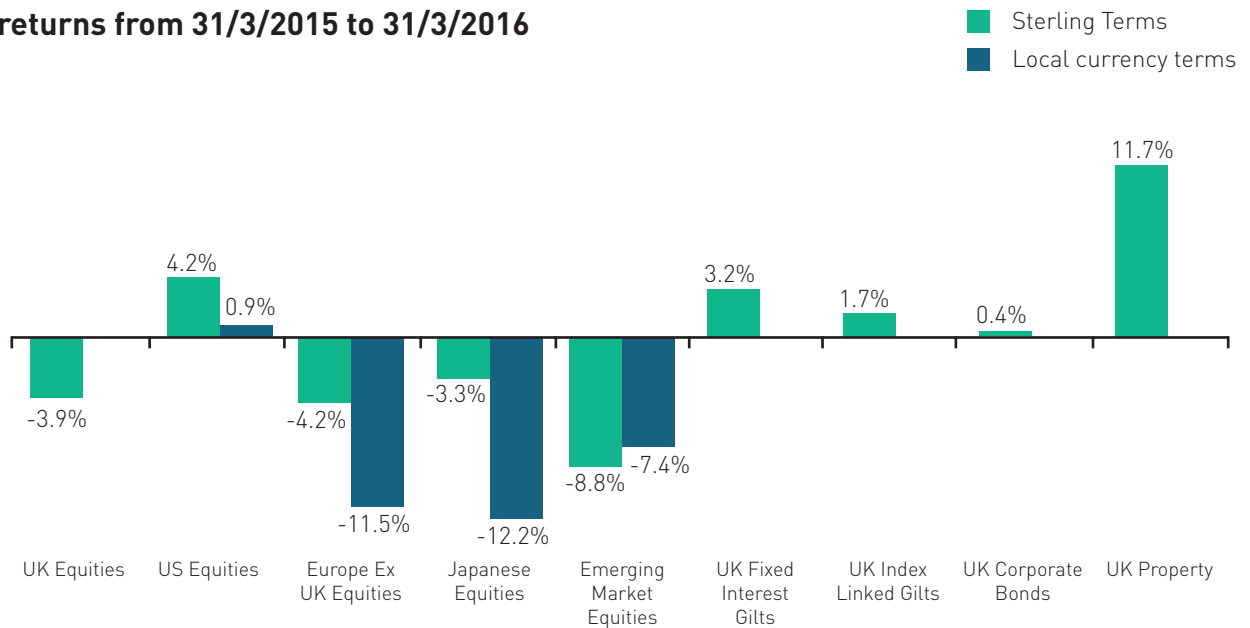
*NILGOSC decided in November 2015 to terminate the mandate with Edinburgh Partners once a replacement manager had been selected and the assets transferred. The mandate was still in place at 31 March 2016.

Each fund manager has been given a performance target 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 2016 is shown in the following table:

ASSET CLASS	TARGET/BENCHMARK INDICES (outperformance shown per annum)
UK Equities	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%
Overseas Equities	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
Bonds	Barclays Capital Global Aggregate Bond Index + 0.75%
Fixed Bonds	iBoxx € Non-Gilt ex BBB
Index-linked Gilts	FTA Index Linked > 5 Years
Index-linked Property	Retail Price Index (RPI)
Traditional Property	IPD Quarterly Universe + 1%
Infrastructure	CPI + 5%

Source: HSBC

Index returns from 31/3/2015 to 31/3/2016



Source: Datastream/IPD

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

Markets were volatile over the 12 months to 31 March 2016, partly due to the oil price falls and an increase in geopolitical uncertainty making investors nervous. Tensions in Greece built over the beginning half of the year after months of austerity negotiations, finally coming to a bailout agreement. In the latter half of 2015, the European migrant crisis became the dominant theme. In the UK, David Cameron secured a deal with Brussels over reformed terms of the UK's EU membership; the referendum over a British exit (Brexit) from the EU was set for June 2016.

Economic momentum slowed globally over the year to March 2016. The US market suffered from a fall in confidence and business activity, whilst there was also weakness in Chinese economic growth. In the Eurozone, ongoing concerns over weak growth and deflation caused the European Central Bank to expand quantitative easing (QE) at the start of 2016 and bring interest rates even lower. The Bank of Japan continued with its aggressive QE programme in an effort to ramp up inflation. Monetary easing also continued in China as authorities attempted to control the slowing economy and volatile financial markets. Eurozone economic growth steadily improved as the weaker euro boosted exports, but Japan's economy faced more challenges. UK growth

remained steady, although fears over a Brexit from the EU ignited some concerns over the UK's future economic prospects.

Inflation generally remained very low in the major economies over the last year. Oil price, which had rebounded back in spring 2015, fell drastically again by 60% eventually hitting a low in January 2016. All other major commodity prices also fell over the year as Chinese growth weakened. 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.

The graph above summarises the index returns on the main asset classes/regions for the year to 31 March 2016. Returns are shown in sterling terms and local currency terms.

Markets posted mixed returns over the year to 31 March 2016, as the graph above shows. There were large differences in the performance of equities depending on the region. Bonds and property delivered positive returns with UK commercial property performing particularly well. Further details on the performance of specific asset classes over the period are provided below.

Equities

Despite the UK experiencing sturdy economic growth, the UK equity market returned -3.9% over the period, towards the lower end of the spectrum of regional equities. The market's sizeable resource

component exposed the market to falling commodity prices. The best performing sectors were consumer goods (17.5%) and technology (11.9%) while the basic materials (-26.4%) sector was by far the worst performer. Utilities were the best performing sector for world equities with the oil & gas sector providing the lowest return.

The US was the only region to provide a positive return over the period, returning 0.9% in local currency terms. The strong US dollar brought the sterling return up to 4.2%. Continental European equities returned -11.5% in local currency terms whilst sterling weakness in Q1 of 2016 brought the sterling return up to -4.2%.

Japanese equities performed very strongly at the beginning of the period, boosted by domestic equity buying and additional quantitative easing. However concern over policy effectiveness and the economy reversed this positive sentiment leaving Japanese equities with the lowest local currency return.

Emerging market performance was weak, mainly caused by ongoing uncertainty over China's growth and weak commodity prices.

Bonds

Global government bonds performance was subdued over the twelve month period to the end of March 2016 amid falling interest rates. Longer dated fixed interest government bonds continued to perform better than those with shorter term maturities.

UK fixed gilts returned 3.2% and index-linked gilts returned 1.7%. US Treasuries also performed well.

Globally, most corporate bonds posted slight positive absolute returns. Credit spreads (the difference between the yields on non-government bonds and equivalent maturity government bonds) for global bonds widened over the year. In the UK, corporate bonds returned 0.4% which was less than both fixed and index-linked government bonds. The credit spread for the more secure AAA-rated issues widened the least, resulting in these bonds outperforming lower rated bonds.

Property

UK commercial property performance was strong with returns of 11.7% over the 12 month period. The momentum in UK property seems to be slowing. Performance over the last year was driven predominately by capital growth which continued to be good. Property

valuations continued to rise on the back of high transaction activity. Rental growth was also positive, albeit less so than capital growth.

Infrastructure

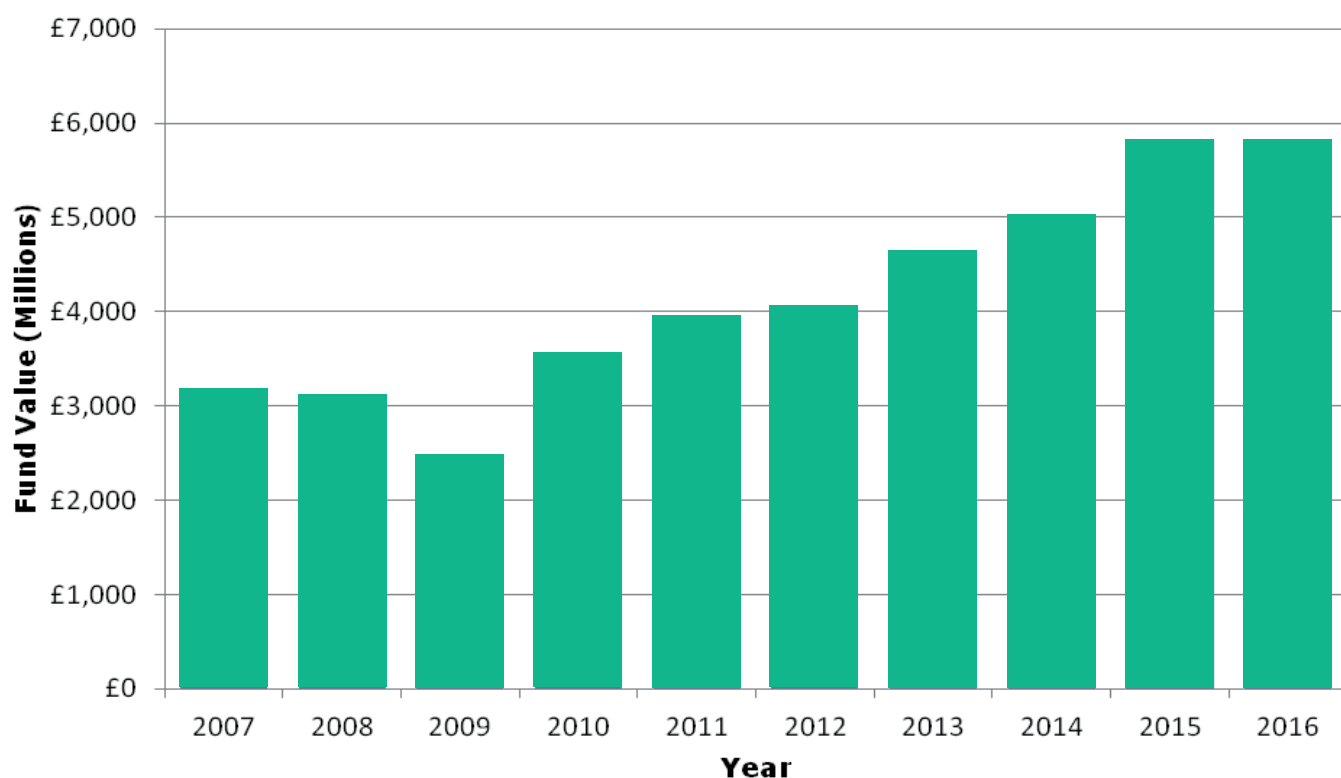
Infrastructure as an asset class generally performed well over the last 12 months and experienced some strong exits and increases in unrealised valuations. This has primarily been fuelled by a strong demand from direct investors and core infrastructure funds for defensive assets in a low interest rate environment, which has pushed up valuations. Fundraising was very competitive during 2015.

Fund Value

The value of the Fund at 31 March 2016 was £5.820bn (2014/15 £5.821bn (as restated)) a decrease of £0.6m (0.01%) 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 81 to 82.

Value of the Fund



Investment Performance

Over the year to 31 March 2016, the Fund's overall return on the total assets was -0.40% (gross of investment manager fees). 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 1.7% and 1.1% on a three and five year basis respectively for the period ended 31 March 2016. The comparable statistics for the three and five year periods to 31 March 2016 on an annualised basis are set out in the table below:

	THREE YEARS % p.a.	FIVE YEARS % p.a.
Return of Fund	7.4	7.8
CPI +5%	5.7	6.7

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 2016. Infrastructure investments are still in the stages of drawdown and therefore no meaningful performance data is available.

ASSET CLASS	MANAGER	PORTFOLIO RETURN %	TARGET RETURN %	EXCESS RETURN %
UK Equities	Baillie Gifford	-1.08	-1.92	0.84
	BlackRock	-0.27	0.08	-0.35
	Jupiter	-6.14	-1.92	-4.22
Global Equities	Baillie Gifford	4.78	2.51	2.28
	Edinburgh Partners	-4.95	2.35	-7.30
	Wellington	0.31	2.35	-2.04
Fixed Income	Wellington	2.80	3.41	-0.62
Passive	Legal & General	-3.04	-3.01	-0.03
Property	LaSalle Core	12.69	12.30	0.39
	LaSalle Index-Linked	5.83	4.56	1.27

Note: amounts may not be exact due to rounding

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 2015/16

Against a backdrop of market volatility in the 12 months to 31 March 2016, the value of the Fund decreased during the year to £5.820bn. Market volatility can impact on the Fund value over short-term periods but NILGOSC remains focused on longer-term investment performance and matching the Fund's liabilities.

There were mixed results from NILGOSC's investment mandates. In a reversal of fortunes from the same time last year, Jupiter, who had been NILGOSC's best performing UK Equities manager for three years running, experienced a turbulent start to 2016 and had the worst performance of the three UK Equities managers for the year ended 31 March 2016, underperforming its target by 4.22% on a one year basis.

In contrast, Baillie Gifford, who had significant underperformance at the same time last year, was NILGOSC's best performing UK Equities manager over the 12 months to 31 March 2016, delivering positive performance against its target on a one year basis. NILGOSC's other UK Equities manager, BlackRock, has the most challenging target of all NILGOSC's investment managers, which is to outperform the FTSE All-Share by 4%. While it did not meet this target, it delivered strong outperformance of 3.65% against the index over the 12 months to 31 March 2016.

Baillie Gifford remained NILGOSC's best performing Global Equities manager for the third year running, with strong relative returns on a one year, three year and five year basis. Performance on a three year basis was exceptional

with the manager outperforming its target by 6.05%. By contrast, Wellington Management had a disappointing year, delivering a negative relative return on a one year basis. While longer-term performance is in line with or marginally behind target, the mandate continues to outperform the index on a three and five year basis.

NILGOSC's other Global Equities manager, Edinburgh Partners, continued its trend of poor performance in the 12 months to 31 March 2016, with significant relative underperformance across all timeframes. Due to ongoing concerns with the underperformance of the mandate since inception in October 2010 and a trend of client losses, NILGOSC terminated the mandate pending the appointment of a replacement manager. The selection exercise commenced in December 2015

and concluded in March 2016, with the appointment of Unigestion as the new Global Equities manager. Due diligence is expected to complete along with the transfer of assets in the second quarter of 2016/17.

NILGOSC's global fixed income portfolio, managed by Wellington Management, fell short of its performance target for the year, but delivered returns of 0.13% ahead of the index.

Property continued to be a good diversifier for the Fund in the 12 months to 31 March 2016. The core property portfolio, managed by LaSalle, outperformed both the index and its target for the year ended 31 March 2016. The portfolio is fully invested and LaSalle continues to seek to add value through asset management initiatives. The index-linked portfolio is also 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 continues to exceed its target return over all time periods as at 31 March 2016. Since inception the portfolio has outperformed its 3% real return target by 4.2% per annum.

During 2015/16 NILGOSC considered the investment case for Private Rented Sector (PRS) as an asset class, noting the additional diversification benefits it would bring in conjunction with the existing property allocation. A provisional allocation of 2.5% has been made to PRS and will sit within the overall allocation to UK Property, currently 15% of the

overall Fund. Suitable investment opportunities are currently being explored with the intention to invest in this asset class in 2016/17.

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 2016.

During the year, NILGOSC continued to implement its plan to reduce its allocation to UK equities through investment in its two Infrastructure funds - Antin Infrastructure Partners Fund II and KKR Global Infrastructure Investors Fund II. The Antin Fund is being invested in European brownfield infrastructure assets across the energy and environment, transportation and telecommunications sectors while the KKR Fund invests in similar sectors but has exposure to North America and other regions to provide geographic diversification. NILGOSC has committed £40m to each of the funds and as at 31 March 2016, it had funded £23.3m to Antin and £8.7m to KKR. NILGOSC

also received its first distributions from both funds during the year and will continue to explore other Infrastructure opportunities in the coming year to meet its target allocation of 5%.

NILGOSC reviewed its investment strategy in December 2015 and determined that the current strategy remains appropriate. Looking forward, NILGOSC continues to seek out suitable Alternative opportunities to invest in, to reduce its exposure to UK equities and to increase the diversification of investment returns.

During 2016, NILGOSC carried out a tender exercise using the National LGPS Framework for Investment Consultancy Services for the appointment of its investment advisory service. The tender to appoint an investment advisor using the Framework was carried out in the second half of 2015. Following a competitive exercise, Aon Hewitt was selected as the preferred provider and was appointed effective 1 January 2016 for a five year period.

Top 10 Equity Holdings at 31 March 2016

COMPANY	TOTAL INVESTMENT £'000'S	% OF TOTAL EQUITY PORTFOLIO
British American Tobacco	54,299	0.94
Amazon.com	41,817	0.72
Astrazeneca	41,250	0.71
RELX	37,899	0.65
Facebook	35,222	0.61
Compass Group	33,558	0.58
Illumina	30,892	0.53
Shire Ltd	29,368	0.51
Wolseley	28,703	0.49
Reckitt Benckiser	28,375	0.49

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.

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 in March 2016 and a copy 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 2016 is shown below:

	UK	NORTH AMERICA	REST OF WORLD
Annual General Meetings	130	172	152
Other Meetings	29	12	37
Resolutions	2,566	2,112	2,393
Votes For Management	2,158	1,371	1,817
Votes Against Management	408	741	576

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

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 many of the companies in which it invests. For companies listed in the UK or Europe, where NILGOSC intends to vote against management at a company's Annual General Meeting, a letter will be issued to the company to advise of the voting decisions and to provide a rationale. In 2015/16, NILGOSC issued engagement letters to 117 UK companies and 64 European companies where votes were cast against management recommendations.

NILGOSC believes that it can have a bigger impact on the ESG practices of companies by participating in collaborative engagement with like-minded investors than by acting alone. NILGOSC 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.

Demonstrating its commitment to responsible investment practices, NILGOSC has been a signatory to the United Nations Principles of Responsible Investment since 2007. NILGOSC reports on its implementation of the Principles for Responsible Investment through the UNPRI reporting framework on an annual basis. The framework assesses the organisation's overarching approach to responsible investment, the integration of responsible investment in manager selection, appointment and monitoring and active ownership within asset classes, including engagement and proxy voting. In July 2015, NILGOSC received its report for the year ended 31 March 2014. The report showed positive results in all areas assessed by UNPRI, with NILGOSC maintaining or improving performance in comparison to previous assessments and performing either in line with or ahead of its peers in each of the areas assessed. NILGOSC submitted its latest assessment in March 2016, for the year ended 31 March 2015, and will receive the outcome later in the year.

NILGOSC participates in the UK Pension Fund Roundtable, a collective group of public and private sector UK pension funds who work together to promote

responsible investment, and in UNPRI facilitated collaborative engagements, where appropriate. In 2014/15, NILGOSC became a supporting investor in two collaborative engagements with other UNPRI signatories. 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. Both engagements continued through the 2015/16 year

NILGOSC is also a signatory to the UK Stewardship Code. The Stewardship Code, first published by the Financial Reporting Council (FRC) in July 2010, was revised in September 2012. It is a principles-based Code, comprising seven principles that aim to improve engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. NILGOSC first published its UK Stewardship Code Statement of Adherence in September 2010, and it was most recently reviewed in February 2016. 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. 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.

Ahead of the COP21 United Nations Climate Change Conference in Paris in December 2015, NILGOSC hosted a Climate Risk seminar in October 2015, attended by its investment managers and investment advisor. Discussions revolved around the identification of climate risk within NILGOSC's investment portfolio, how the investment managers currently address these risks and how they can be addressed in the future, especially in light of increased government interest in the issues. The seminar was successful in highlighting the importance of climate risk and helping NILGOSC to understand how it is being managed within its investment portfolio.

Following the success of similar resolutions at BP and Shell last year, which were each supported by over 98% shareholders, NILGOSC co-filed a shareholder resolution with other like-minded investors at the AGMs of Anglo American and Rio Tinto, again requesting enhanced disclosures of corporate strategy on climate change outlook and risk management as part of routine reporting. As with the boards of BP and Shell last year, the boards of Anglo American and Rio Tinto publicly recommended that shareholders support the resolutions and both were passed with over 95% and over 98% shareholder support respectively.

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

23 August 2016



ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

(i) CHIEF EXECUTIVE’S REPORT

Chief Executive and Secretary

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

The Permanent Secretary for the Department for Communities has designated the Chief Executive and Secretary as the Accounting Officer for NILGOSC. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for

which he is answerable and for the keeping of proper records, are set out in the Accounting Officer Memorandum, issued by the Department for Communities. The Accounting Officer is also responsible for safeguarding the assets of NILGOSC and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

Committee Members

The Management Committee (which is similar to a board of directors or trustees) consists of a chairman, five members nominated by employers’ organisations, five members nominated by employees’ organisations and two

independent members. In addition, the Department has appointed an observer who may attend the meetings of the Management Committee and Audit and Risk Assurance Committee.

The Committee members are appointed by the Minister for Communities for a four year term and may be reappointed for a second four year term at the Minister’s discretion. The table below shows the composition and term of office of Committee members during 2015/16:

	Term	Term of Office
Trevor Salmon	Second	1 July 2009 - 30 June 2017
Peter Caldwell	Second	1 Oct 2011 - 30 Sept 2019
Joseph Donaghy	Second	1 July 2009 - 30 June 2017
Julie Erskine	Second	1 July 2009 - 30 June 2017
Bumper Graham	Second	1 July 2009 - 30 June 2017
Tom Irvine*	First	1 Mar 2012 – 29 Feb 2020
David Jackson	Second	1 Oct 2011 - 30 Sept 2019
Celine McCartan	Second	1 July 2009 - 30 June 2017
Peter McMurray	Second	1 Oct 2011 - 30 Sept 2019
Sharon McQuillan*	First	1 July 2012 - 30 June 2020
Linda Neilan	Second	1 Oct 2011 - 30 Sept 2019
Ciaran Quigley**	First	1 Oct 2011 - 30 Sept 2015
Lindsay Todd	First	1 May 2013 - 30 April 2017
Joan McCaffrey***	First	1 Mar 2016 - 29 Feb 2020

* Reappointment of second term notified by the Department in February 2016

** Term of office expired 30 September 2015

*** Appointment effective from 1 March 2016

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

CHAIRMAN



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

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.



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 Deputy General Secretary of the Northern Ireland Public Service Alliance (NIPSA). He is currently Chairperson NIC-ICTU Public Service Pensions Group and Joint Chairperson of the Department of Finance and Personnel Public Service Pensions Central Consultative Group. He is a member of the NICS Pensions Board and a member of the NICS Pension Scheme Advisory Board, likewise he is a member of the LGPS(NI) Pension Scheme Advisory Board. Bumper is also the TUS Lead and Co-Chairperson of the North/South Bodies Pension Forum. Bumper is a member of the Local Government Staff Commission.



Mr Tom Irvine is currently a part-time Pensions lecturer for the North West Regional College and the Pension Tutor for Unite the Union in Northern Ireland. 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 Borough Council. He was previously the Head of Support Services at Coleraine Borough Council, prior to which he was a senior manager with PricewaterhouseCoopers.



Ms Celine McCartan MBE is currently working as Collaboration Programme Manager for the further education sector across Northern Ireland, having previously held the position of Deputy Director at the South West College. She is a Fellow of the Institute of Chartered Accountants in Ireland and a Chartered Member of the Institute of Personnel and Development. Celine is also a member of a number of School Governing Bodies and a member of the NI Teachers' Pension Scheme Board.



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



Mrs Linda Neilan is 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. He is also a member of the Investment Committee at Queen's University Belfast together with the Disciplinary Panel of the Chartered Accountants Regulatory Board in Ireland.



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 Borough Council, where she is also a Trade Union Representative. Previously Sharon held a number of financial roles in other councils.



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

Declaration of Interests

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

Personal Data Related Incidents

NILGOSC records all personal data related incidents and makes an assessment against the Information Commissioner's Office guidance to determine whether an incident is significant and/or serious enough to warrant reporting. In the year ended 31 March 2016, there were 6 non-reportable personal data related incidents and no reportable incidents.

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

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

- observe the Accounts Direction issued by the Department for Communities, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government

Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and

- prepare the accounts on a going concern basis.

The Department for Communities has appointed David Murphy as Accounting Officer of the Northern Ireland Local Government Officers' Superannuation Committee. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Northern Ireland Local Government Officers' Superannuation Committee's assets, are set out in Managing Public Money Northern Ireland published by the HM Treasury.

(iii) GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

1. Introduction

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

This Governance Statement sets out how these duties have been carried out through the financial year ended 31 March 2016 and includes an assessment of the corporate governance and risk management systems in place within NILGOSC that have ensured these responsibilities have been met.

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

2. The Governance Framework 2015/16

NILGOSC is a non-departmental public body (NDPB), and was sponsored by the Department of the Environment

(the Department) during 2015/16. 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 was designated as the Pension Board for the Scheme in accordance with the Local Government Pension Scheme (Governance) (Amendment) Regulations (Northern Ireland) 2015 (the Governance Regulations).

A Management Statement is in place with the Department which sets out the broad framework within which NILGOSC will operate in administering the Scheme and in the exercise of its functions, duties and powers. An associated Financial Memorandum is also in place with the Department, which sets out certain aspects of the financial framework within which NILGOSC is required to operate, in accordance with MPMNI. NILGOSC complied with the conditions and requirements in the Management Statement and the Financial Memorandum during the financial year ended 31 March 2016.

As a result of the re-organisation of Northern Ireland Government Departments, the Department for Communities (DfC) is the new sponsor Department for NILGOSC with effect from May 2016. NILGOSC will continue to work with DfC to meet its requirements as an NDPB.

2.1 THE MANAGEMENT COMMITTEE

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

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 Pensions 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. 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 relevant 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 at <http://www.nilgosc.org.uk/minutes-of-committee-meetings>.

Details on membership changes and re-appointments to the Committee during 2015/16 are set out in the Chief Executive's Report on page 36. The Committee met eleven times during 2015/16. In addition, four ARAC meetings and three Staffing Committee meetings were held during the year. A schedule of membership and attendance for the 2015/16 financial year is shown in the following table.

	MANAGEMENT COMMITTEE		AUDIT AND RISK ASSURANCE COMMITTEE		STAFFING COMMITTEE	
	Called	Present	Called	Present	Called	Present
Trevor Salmon	11	10	-	-	-	-
Julie Erskine	11	9	-	-	3	3
Bumper Graham	11	8	4	4	-	-
Celine McCartan	11	8	-	-	3	2
Joe Donaghy	11	10	-	-	3	3
Linda Neilan	11	11	4	4	-	-
David Jackson	11	9	-	-	3	3
Ciaran Quigley*	5	3	2	1	-	-
Peter Caldwell	11	11	-	-	3	2
Peter McMurray	11	11	-	-	3	3
Tom Irvine	11	10	4	4	-	-
Sharon McQuillan	11	10	-	-	3	2
Lindsay Todd	11	10	4	4	-	-
Joan McCaffrey*	1	1	-	-	-	-
Average % Attendance		88%		94%		86%

*Ciaran Quigley's term ended 30 September 2015 and Joan McCaffrey's began 1 March 2016.

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. During

2015/16, the Handbook was updated and made available for Committee Members on the website.

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. The latest annual training day was held on 13 April 2016. Committee Members are also required to complete the educational TPR Public Service Toolkit. Training records are maintained and updated on a quarterly basis.

2.2 THE AUDIT AND RISK ASSURANCE COMMITTEE (ARAC)

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

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

- Quarterly review of the risk register and 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 2016 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 2015/16 are provided in section 5 of this Statement.

2.4 CORPORATE AND BUSINESS PLANNING

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

NILGOSC undertook its latest strategic review in April 2015, which informed the development of its Corporate Plan 2016/17-2018/19. The Corporate Plan sets out NILGOSC's objectives over a three-year period together with the appropriate targets and key performance measures. The Senior Management Team (SMT) reviews performance against objectives and key performance measures on a quarterly basis and this is reported to the Committee and sponsor Department. Performance against the Corporate Plan is also reported in the Annual Report at the end of each financial year. The Corporate Plan is reviewed and revised annually 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 2015/16.

4. Departmental Approvals

In line with the DFP Pay Remit approval process, NILGOSC requested and subsequently received approval on 15 March 2016 for the April 2016 contractual salary increments.

During 2015/16, NILGOSC identified two pension overpayments totalling £4,218.29 (0.003% of total pension payments in 2015/16) 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 from the Department not to pursue the recovery of the overpayments due to the circumstances involved and approval was received on 23 May 2016.

NILGOSC received approval from the Department of Finance on 15 June 2016 for the write-off of bad debts. These write-offs are detailed in the Parliamentary Accountability Report on page 52.

5. Risk Assessment

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

The risk control framework provided a consistent basis to identify, monitor and report risks and to progress strategies to mitigate against these risks during 2015/16. 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. The outcome of the quarterly risk reviews is also used to inform completion of Departmental Assurance Statements.

The quarterly risk reviews and subsequent reports provided during 2015/16 resulted in an increase in the net risk score of four risks 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 2015/16.

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 2016/17 was carried out on 4 May 2016. The review included consideration of challenges facing NILGOSC in 2016/17, including the increased administration that will be created as a result of the continued contraction of the public sector workforce and the reconciliation exercise required in relation to Guaranteed Minimum Pension (GMP) data with HMRC data, the upcoming triennial valuation and various ongoing projects. It was acknowledged that 2016/17 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 2016/17 register. However, risk scores were reviewed and amended as appropriate and are reflected in the risk register for 2016/17, which contains 46 risks in total, nine of which are categorised as strategic risks that could

impact on the long-term achievement of the organisation's strategic objectives.

NILGOSC implemented improvements and made good progress during 2015/16 in addressing those risk issues identified at the beginning of the year, particularly in relation to the implementation of the new CARE Scheme, putting a team in place to manage increased demand as a result of public sector reform, compliance with the new TPR Code, and re-organisation of its management structure. Looking forward to 2016/17, NILGOSC will have a number of challenges to manage, including the increased administration workload as a result of the continued public sector reform and the GMP data reconciliation exercise, the upcoming triennial valuation and ongoing projects to enhance systems and processes to improve efficiency and service delivery to our stakeholders. These challenges and any new or emerging risks will be reviewed on an ongoing basis through the risk management process set out above and appropriate plans will be put in place to effectively manage any risks within the existing risk and internal control framework.

The annual test of the Business Continuity Plan (BCP) was undertaken in March 2016. The test was mainly a procedural exercise, designed to test NILGOSC's ability to run the monthly pension payroll in the absence of key staff. Additional exercises were carried out to test NILGOSC's ability to run finance processes and the functionality of the finance systems from the disaster recovery site. Standard procedures within the BCP for advising staff and other stakeholders of an incident were also tested. The exercise tested more than 30 elements of the BCP and all elements were deemed to be successful. No significant issues were identified and any areas for improvement identified 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. NILGOSC took part in the NFI 2014/15 data matching exercise and has been investigating the matches but no cases of actual or suspected fraud

have been identified to date. During 2015, NILGOSC entered into a Data Sharing Agreement with the General Registrar Office for Northern Ireland, which enabled NILGOSC to receive death records on a monthly basis to match against its records in order to minimise overpayments due to non-notification of death.

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. There was one case of attempted cyber-fraud during the year ended 31 March 2016. 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 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 via an e-learning module, specifically tailored for NILGOSC.

A number of minor personal data incidents or potential breaches were identified in 2015/16 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 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 there is a satisfactory level of assurance that existing processes and practices are in place and operating effectively.

Information risk assessment and management is now fully embedded in the risk management process.

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 have been set out in section 2.1 above. In addition to these, other important issues considered by the Committee during 2015/16 are set out below:

- Implementation of the LGPS NI 2015 Scheme
- Funding Strategy
- Investment in Private Sector Residential Property and an appraisal framework to assess potential investment opportunities in this asset class
- Outcome of the tender exercises and approval of appointments for investment advisory services and a replacement Global Equities investment manager
- Extension of the Global Custody contract
- Performance assessment of the Investment Advisor
- Outcome of the Climate Risk Seminar in October 2015
- Review of the asset allocation in December 2015 and implementation of recommendations
- Post implementation structural review

of staffing

- Admission of new bodies to the Scheme. Details of the bodies admitted during 2015/16 are set out in the Administration of the Pension Scheme section of this report.

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 2015/16 are set out in its Annual Report, which is provided on pages 85 to 87 of this report.

The ARAC undertakes an annual review of its effectiveness, in line with best practice issued by the National Audit Office. The review undertaken for 2015/16 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 has a Committee Effectiveness Framework, which aims to identify areas of Committee performance that are strongest and those that need improvement and to identify priority areas for the Committee to focus on improving effectiveness over the next one to two years. A key feature of the Framework is a self-assessment questionnaire, which is completed online anonymously and focuses on the following eight key sections:

- Committee Composition and Function
- Committee Meetings and Support
- Strategic Planning and Performance 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 2015/16 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

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 2015/16 referred to at 6.2 above, 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 to a high standard. 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. In April 2016, a Committee Handbook section was also added to the website to provide a single point of access for Committee Members to key Scheme documents and policies, as well as other forms and guidance.

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 2016, NILGOSC's systems in relation to risk management, control and governance were adequate and operated effectively, thereby providing satisfactory assurance in relation to the effective and efficient achievement of NILGOSC's objectives. A list of the audit reviews and outcomes that informed this assurance rating is set out in the Annual Report of the Audit & Risk Assurance Committee, which is provided separately in this document (pages 85 to 87). 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 2016.

NILGOSC reviews the effectiveness of the internal audit service provided by ASM through pre-agreed key performance indicators (KPIs). Progress against these KPIs is formally reviewed by management on an annual basis and reported to the Audit & Risk Assurance Committee. The outcome of the KPI analysis for 2015/16 showed that ASM met or exceeded all of the KPI targets, with the exception of one, demonstrating very good performance for the period. An independent external quality assessment of NILGOSC's internal audit service was also previously undertaken in 2014/15, which concluded the service provided by ASM is satisfactory and conforms with the Public Sector Internal Audit Standards.

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 an unqualified audit opinion for the year ended 31 March 2015.

The NIAO has stated its intention to issue an unqualified opinion for 2015/16.

7. Significant Governance Issues

No significant governance or internal control issues were identified from the review of the effectiveness of the system of risk, governance and internal control for the year ended 31 March 2016 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 2015/16 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

23 August 2016

ACCOUNTABILITY REPORT

REMUNERATION AND STAFF REPORT



(i) 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.

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	2015/16				2014/15			
	Salary	Benefits in Kind	Pension Benefits	Total	Salary	Benefits in Kind	Pension Benefits	Total
	£	£	£	£	£	£	£	£
David Murphy Chief Executive and Secretary	85,001-90,000	-	26,419	110,001-115,000	85,001-90,000	-	28,203	115,001-120,000
Nicola Todd Deputy Secretary	65,001-70,000	-	22,025	85,001-90,000	65,001-70,000	-	20,451	85,001-90,000
Band of Highest Paid Employee's Total Remuneration	85,001-90,000				85,001-90,000			
Median Total Remuneration	22,212				22,212			
Ratio	3.94				3.94			
Range of Staff Remuneration	15,207 – 68,240				15,207 – 68,240			

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

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

Chairman	2015/16		2014/15	
	Salary	Benefits in Kind	Salary	Benefits in Kind
	£	£	£	£
Trevor Salmon	13,052	-	12,841	-

Salary

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

Benefits in Kind

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

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

Reporting bodies are required to disclose the relationship between

the remuneration of the highest-paid employee in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid employee in NILGOSC in the financial year 2015/16 was £85,001-£90,000 (2014/15, £85,001-£90,000). This was 3.94 times (2014/15, 3.94) the median remuneration of the workforce, which was £22,212 (2014/15, £22,212).

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 ratio of 3.94 for 2015/16 has not changed from 2014/15 as both the median remuneration and the banded remuneration of the most highly paid

employee have remained the same as 2014/15. The median remuneration is the remuneration of the staff member lying in the middle of the linear distribution of the total staff, excluding the highest-paid employee, and has remained the same as 2014/15 as a significant proportion of staff are paid at a salary scale of £20,253 to £22,212.

Management Committee Members' Attendance Allowance

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

Management Committee Members' Attendance Allowance

Committee Members	2015/16	2014/15
	£	£
Joseph Donaghy	2,223	2,061
Julie Erskine	2,106	1,716
Bumper Graham	1,989	2,061
Celine McCartan	1,521	1,032
Peter McMurray	1,755	1,035
Linda Neilan	2,457	2,406
Peter Caldwell	2,223	2,175
David Jackson	1,521	1,833
Ciaran Quigley*	585	1,494
Tom Irvine	2,457	2,520
Sharon McQuillan	2,457	2,175
Lindsay Todd	2,340	2,175
Joan McCaffrey**	117	-

* Resigned 30 September 2015

** Appointed 1 March 2016

Pension Benefits (audited)

OFFICERS	ACCRUED PENSION AND RELATED LUMP SUM AT AGE 65 AS AT 31/03/16	REAL INCREASE IN PENSION AND RELATED LUMP SUM AT AGE 65	CETV AT 31/03/16	CETV AT 31/03/15	Real Increase in CETV
	£	£	£	£	£
David Murphy	27,731	1,779			
Chief Executive and Secretary	plus lump sum of 51,676	plus lump sum of nil	408,462	378,616	15,136
Nicola Todd	14,549	1,391			
Deputy Secretary	plus lump sum of 19,000	plus lump sum of nil	169,419	151,380	9,035

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

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

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

Cash Equivalent Transfer Values

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

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

CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008. They do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation and contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. The actuarial factors used to calculate CETVs changed during the 2015/16 year and, consequently, CETV figures increased even without any further pension accrual. However the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

(ii) STAFF REPORT

Staff Numbers and Related Costs

Staff costs comprise:

	Permanently employed staff £'000	Others £'000	2015/16	2014/15
			Total £'000	Total £'000
Wages and salaries	1,710	98	1,808	1,658
Social security costs	106	3	109	102
Other pension costs	352	4	356	304
Total	2,168	105	2,273	2,064

Average number of persons employed

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

	Permanently employed staff	Others	2015/16	2014/15
			Total	Total
Directly employed	61	2	63	56
Other	-	1	1	2
Total	61	3	64	58

Full details of NILGOSC's pension arrangements are provided in Note 18 to the Accounts.

Staff Composition

An analysis of the composition of staff members as at 31 March 2016 and 31 March 2015 on a whole-time equivalent basis is as follows:

	31/3/16			31/3/15		
	Male	Female	Total	Male	Female	Total
Secretariat	1	1	2	1	1	2
Senior Managers	-	4	4	-	4	4
All Other Employees	22	38	60	20	34	54
Total	23	43	66	21	39	60

Sickness Absence

The average number of days lost to sickness absence by all staff in 2015/16 was 3.9 days (2014/15 – 2.7 days).

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. This is reflected across all of NILGOSC’s staff policies.

Payments to Consultants

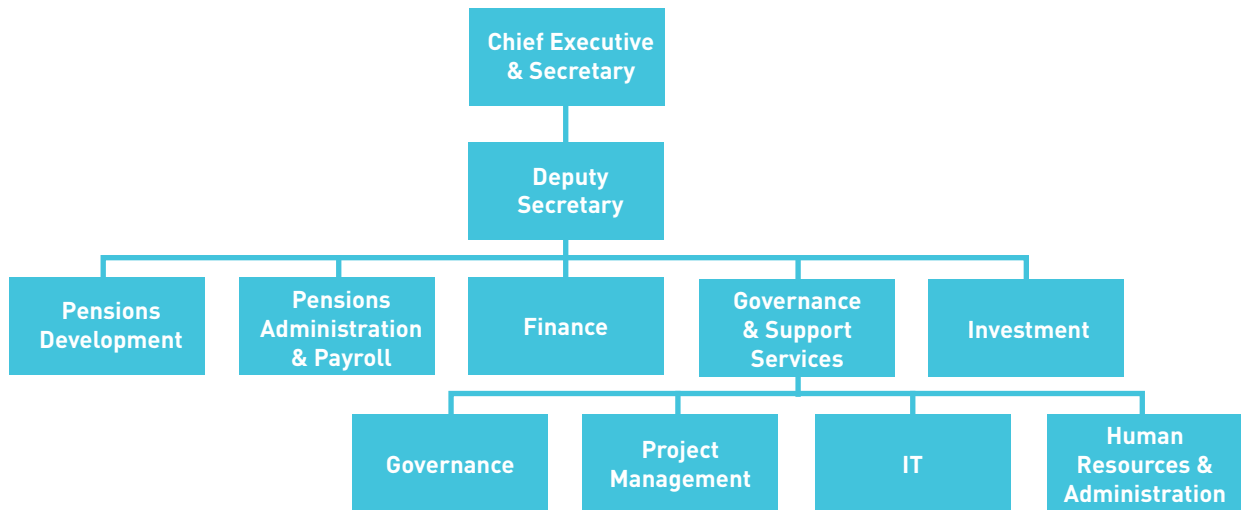
There were no payments to consultants during 2015/16 (2014/15: nil)

The Staff

Day to day administration of the Scheme is performed by the Secretariat, who report to the Committee on a monthly

basis. Led by the Chief Executive and Secretary and Deputy Secretary, over 60 experienced staff are responsible for the administration of retirement benefits and the monitoring of investments, and operate within the functions shown in the chart below.

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



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.

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 2015/16 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.



ACCOUNTABILITY REPORT

PARLIAMENTARY ACCOUNTABILITY REPORT



(i) LOSSES AND SPECIAL PAYMENTS (AUDITED)

Losses Statement

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

Losses incurred during the year in respect of pension overpayments total £7,319 and relate to the non-recovery of pensioner death overpayments, of which £4,218 required approval by the Department for Communities which was received in May 2016.

Bad debts written off during the year total £609,868 and relate to irrecoverable investment property rental income of £509,150 (1.3% of total gross rental income for 2015/16), of which £491,029

was provided for in previous years, an irrecoverable tax reclaim of £5,798 and £94,920 in relation to a cessation debt which is not recoverable from an employing authority. These write offs required approval by the Department of Finance which was received in June 2016.

Special Payments

There were no special payments during the year.

Charitable Donations

The Committee made no charitable donations during the year.

(ii) FEES AND CHARGES (AUDITED)

NILGOSC had no material fees and charges income during 2015/16 (2014/15: nil).

(iii) REMOTE CONTINGENT LIABILITIES (AUDITED)

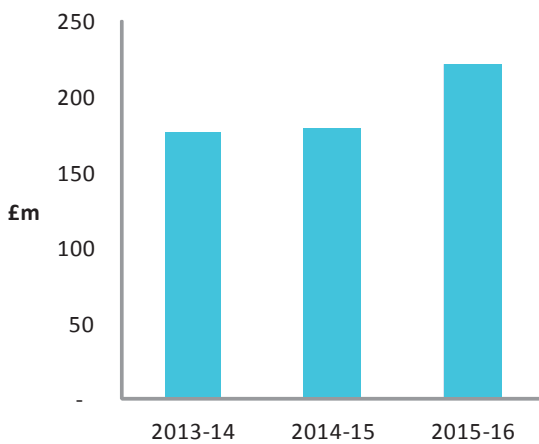
In addition to contingent liabilities reported within the meaning of IAS 37 (see Note 23 to the Accounts) NILGOSC also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability.

NILGOSC has no remote contingent liabilities as at 31 March 2016 (2014/15: no remote contingent liabilities).

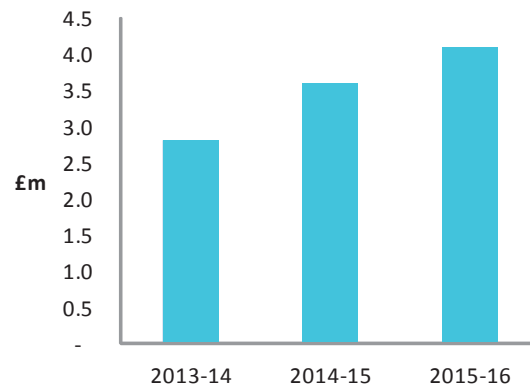
(iv) LONG TERM EXPENDITURE TRENDS

The graphs below illustrate expenditure trends for the last three years for key expenditure areas.

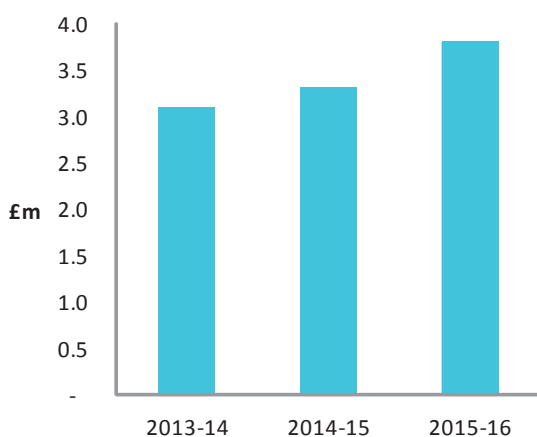
Benefit Payments



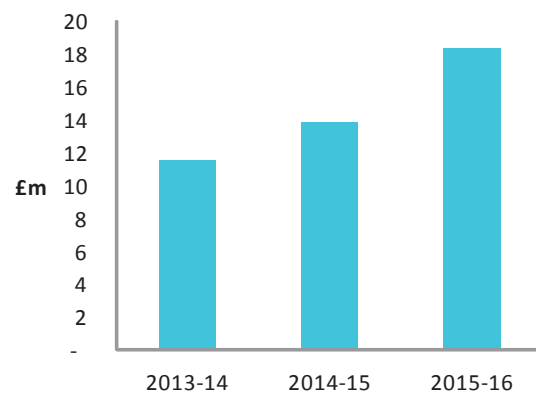
Payments to and on account of leavers



Administration Expenses



Investment Management Expenses



Benefit payments have increased significantly in 2015/16 as a result of the increase in retirements through public sector voluntary exit schemes.

Payments to and on account of leavers fluctuate from year to year depending on the number of members transferring out of the NILGOSC scheme to other pension schemes.

Administration expenses increased in 2015/16 as a result of the cost of the additional resources required to meet the additional demand arising from early exit schemes along with an increase in other administration expenses, mainly a reduction in the revaluation gain in respect of Templeton House and increased depreciation resulting from an upgrade of the pension software system towards the end of 2014/15.

Investment management expenses vary from year to year as they are based on the market value of investments held and in some cases include a performance based fee element. The increase in fees in 2014/15 and 2015/16 is mainly attributable to performance fees payable to investment managers which are based on performance over a three year period against target returns.



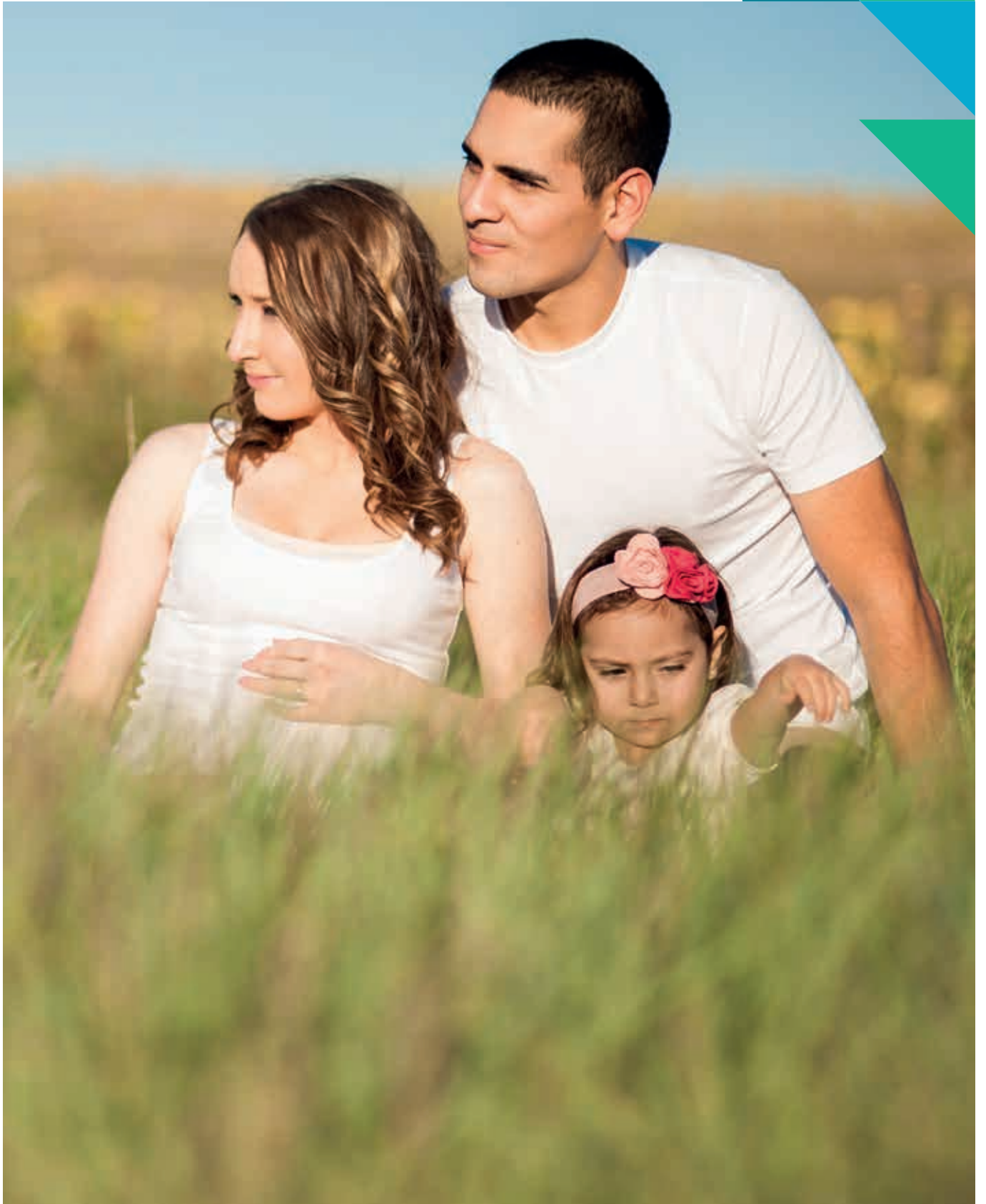
David Murphy
Chief Executive and Secretary

23 August 2016



ACCOUNTABILITY REPORT

AUDIT 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 2016 under Regulation 63 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 2016 and of the net decrease 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 Regulation 63 of the Local Government Pension Scheme Regulations

(Northern Ireland) 2014 and Department of the Environment (now Department for Communities) Directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and Parliamentary Accountability Report to be audited has been properly prepared in accordance with Regulation 63 of Local Government Pension Scheme Regulations (Northern Ireland) 2014; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 2016 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 and Staff Report and Parliamentary Accountability 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's (formerly Department of Finance and Personnel's) guidance.

Report

I have no observations to make.

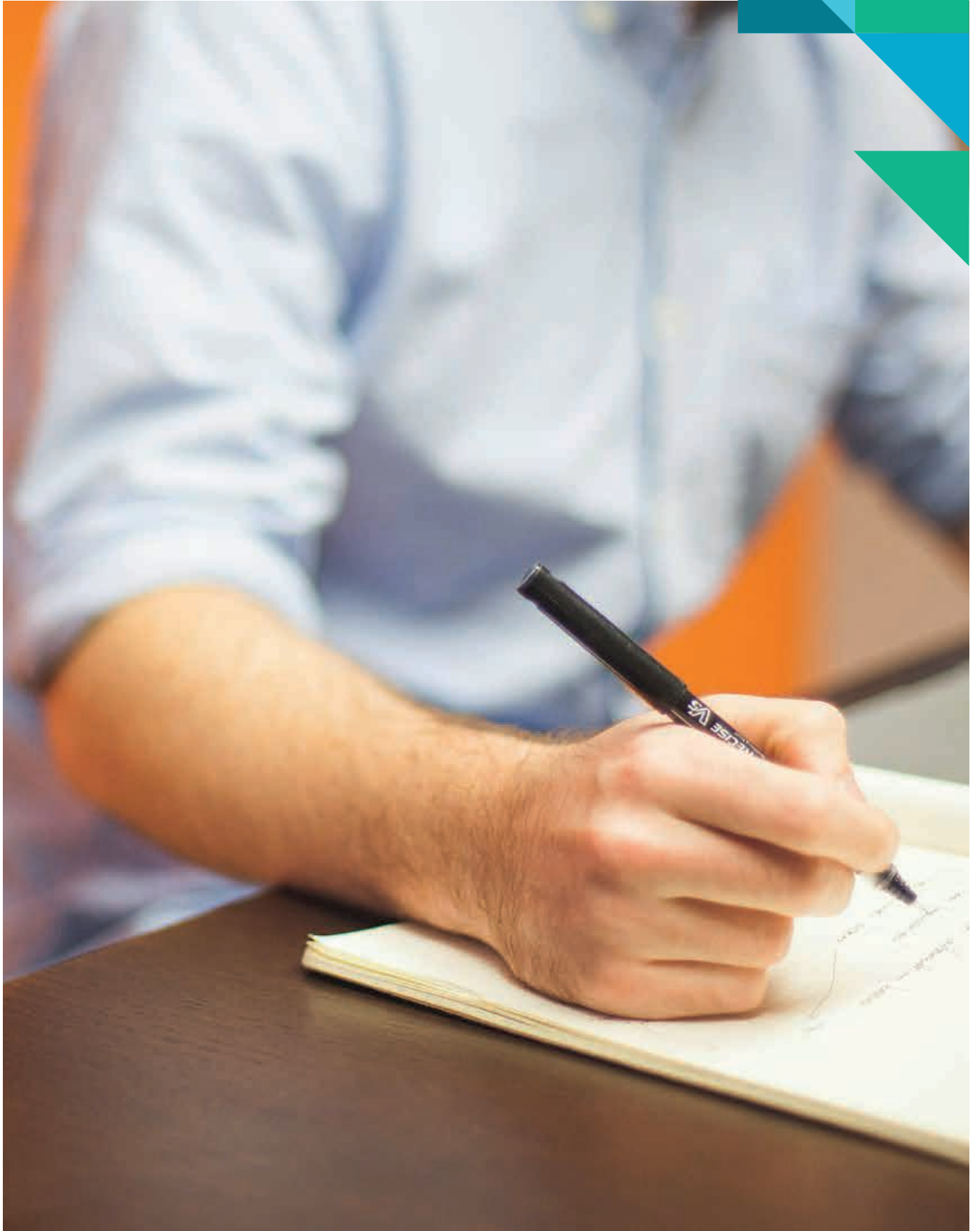
A handwritten signature in black ink that reads "Louise Mason". The signature is written in a cursive style with a large initial 'L'.

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

24 August 2016



ACCOUNTS



ACCOUNTS

**FUND ACCOUNT
YEAR ENDED 31 MARCH 2016**

	Note	2015/16 £'000	2014/15 (as restated - see note 27) £'000
Contributions and benefits			
Contributions receivable	4	255,435	226,405
Transfers in		11,373	5,224
		<u>266,808</u>	<u>231,629</u>
Benefits	5	(221,543)	(179,314)
Payments to and on account of leavers	6	(4,147)	(3,610)
Administration expenses	7	(3,803)	(3,267)
		<u>(229,493)</u>	<u>(186,191)</u>
Net additions from dealings with members		<u>37,315</u>	<u>45,438</u>
Return on investments			
Investment income	8	87,854	89,170
Change in market value of financial investments	9	(140,774)	608,466
Gains arising from changes in fair values of investment properties	10	32,496	57,449
Investment management expenses	11	(18,304)	(13,826)
Net return on investments		<u>(38,728)</u>	<u>741,259</u>
Net (decrease)/increase in the Scheme during the year		<u>(1,413)</u>	<u>786,697</u>
Remeasurement gains/(losses) on the retirement benefit obligation	18	783	(475)
		<u>783</u>	<u>(475)</u>
Opening net assets of the Scheme		<u>5,820,770</u>	<u>5,034,548</u>
Closing net assets of the Scheme		<u>5,820,140</u>	<u>5,820,770</u>

NET ASSETS STATEMENT AS AT 31 MARCH 2016

	Note	2015/16 £'000	2014/15 (as restated - see note 27) £'000	2013/14 (as restated - see note 27) £'000
Non-current assets				
Financial assets	9	5,014,205	5,036,212	4,391,872
Investment properties	10	729,191	722,910	587,425
Intangible assets	12	290	462	89
Property, plant and equipment	13	1,468	1,342	814
Revaluation reserve	14	(130)	-	-
Total non-current assets		5,745,024	5,760,926	4,980,200
Current assets				
Trade and other receivables	15	43,969	39,683	38,150
Cash and cash equivalents	16	61,915	52,263	47,953
Total current assets		105,884	91,946	86,103
Total assets		5,850,908	5,852,872	5,066,303
Current liabilities				
Trade and other payables	17	(28,363)	(29,035)	(29,297)
Total current liabilities		(28,363)	(29,035)	(29,297)
Non-current assets plus net current assets		5,822,545	5,823,837	5,037,006
Non-current liabilities				
Retirement benefit obligations	18	(2,405)	(3,067)	(2,458)
Total non-current liabilities		(2,405)	(3,067)	(2,458)
Assets less liabilities		5,820,140	5,820,770	5,034,548

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Committee. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the Scheme year. The actuarial

position of the Scheme, which does take account of such obligations, is dealt with in Note 21 and the statement by the Actuary on pages 81 to 82 and these financial statements should be read in conjunction with it.



David Murphy
Secretary

23 August 2016

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016**

	2015/16	2014/15 (as restated - see note 27)
	£'000	£'000
Cash flows from operating activities		
Net (decrease)/increase in the Scheme during the year	(1,413)	786,697
Adjustments for non-cash transactions		
Change in market value of investments and gains arising from changes in fair value of investment properties	108,278	(665,915)
Depreciation/amortisation	306	178
IAS 19 pension cost less contributions payable	121	134
Gain on revaluation of property, plant & equipment	(60)	(304)
Adjustments for movements in working capital		
Increase in trade and other receivables	(4,286)	(1,533)
Decrease in trade and other payables	(672)	(262)
	<u>102,274</u>	<u>118,995</u>
Net cash inflow from operating activities	102,274	118,995
Cash flows from investing activities		
Purchase of property, plant & equipment and intangible assets	(70)	(775)
Purchase of investment properties	(10,777)	(92,730)
Purchase of investment assets	(1,005,077)	(1,414,625)
Proceeds of disposal of investment properties	36,992	14,694
Proceeds of disposal of investment assets	886,310	1,378,751
	<u>(92,622)</u>	<u>(114,685)</u>
Net cash outflow from investing activities	(92,622)	(114,685)
Net increase in cash and cash equivalents	9,652	4,310
Cash and cash equivalents at the beginning of the period	52,263	47,953
Cash and cash equivalents at the end of the period	61,915	52,263

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

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 2015/16 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel, and the Accounts Direction issued by the Department for Communities. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Northern Ireland Local Government Officers' Superannuation Committee for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Northern Ireland Local Government Officers' Superannuation Committee are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

2. Accounting Policies

2.1 Basis of Preparation

The accounts are prepared on an accruals basis.

2.2 Contributions

Normal contributions, both from members and employers, are accounted for on an accruals basis.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises.

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.

2.3 Additional Voluntary Contributions (AVCs)

NILGOSC provides an AVC Scheme for

its contributors, the assets of which are invested separately from those of the fund.

AVCs are not included in the accounts in accordance with 5(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations (Northern Ireland) 2000 (SRNI 2000/178) but are disclosed as a note to the accounts (see Note 9).

2.4 Benefits

Benefits payable are accounted for on an accruals basis.

2.5 Transfers to and from Other Schemes

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

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

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

2.6 Administration Expenses

Administration expenses are accounted for on an accruals basis.

2.7 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 is net of irrecoverable withholding tax.

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

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

2.8 Investment Management Expenses

Investment management expenses are accounted for on an accruals basis.

External investment management and custodian fees are agreed in management or custody agreements governing the administration of the individual mandates. Fees are generally based on the valuation of the underlying investments and, as such, will fluctuate as the valuations change. In addition, performance related fees are negotiated with a number of managers.

2.9 Investment Transaction Costs

Investment transaction costs are included in the cost of investments purchased or deducted from the proceeds of investments sold.

2.10 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.

2.11 Valuation of Investments

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

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.

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.

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

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.

Derivatives are valued on a fair value basis.

2. Accounting Policies (continued)

2.12 Investment Properties

Investment properties are valued on the basis of open market value at the reporting date 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 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.

2.14 Property, Plant and Equipment

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

Non-property assets are carried at 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.

2.15 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.

2.16 Financial Instruments

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

Trade payables are stated at their nominal value.

2.17 Foreign Currencies

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

date. The resulting exchange gain or loss is dealt with in the Fund Account.

2.18 Retirement Benefit Obligations

NILGOSC 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. The on balance sheet actuarial liability relates to members of the NILGOSC Scheme who are employed by NILGOSC.

2.19 Actuarial Present value of Promised Retirement Benefits

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

The actuarial position of the Scheme, which does take account of such obligations is dealt with in Note 21 on pages 78 to 79 and the Actuarial Statement on pages 81 to 82. The actuarial present value of promised retirement benefits, valued on a basis consistent with IAS 19, is disclosed in Note 21 of these accounts.

2.20 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.

Investment Management Performance Fees

Investment management performance fees 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.

Unquoted Private Equity and Infrastructure Investments

The valuation of unquoted investments is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. There is a risk that these investments may be under- or overstated in the financial statements, however it is considered unlikely to have a material impact on the value of the Fund.

2.21 Application of new and revised International Financial Reporting Standards

The International Accounting Standards Board has not issued any new or amended standards applicable for 2015/16 that would have a material impact on the NILGOSC financial statements.

3. Segmental Information

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

4. Contributions Receivable

	2015/16	2014/15 (as restated - see note 27)
	£'000	£'000
Employers		
normal	174,925	167,901
early retirement funding*	15,145	2,113
special contributions**	10,755	3,743
Employees		
normal	54,610	52,648
	<u>255,435</u>	<u>226,405</u>
<p>*Early retirement funding has increased significantly in 2015/16. The number of early retirements increased as a result of the implementation of public sector voluntary exit schemes during the year.</p> <p>** The special contributions in 2015/16 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.</p>		

5. Benefits

	2015/16	2014/15 (as restated - see note 27)
	£'000	£'000
Pensions*	153,362	142,974
Commutations and lump sum retirement benefits**	62,400	32,190
Lump sum death benefits	5,781	4,150
	<u>221,543</u>	<u>179,314</u>
<p>* In addition, £4.363m of agency and compensation pensions were paid on an agency basis and recharged to employing authorities (2014/15 : £4.494m). 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.</p> <p>** There was a significant increase in lump sum retirement benefits in 2015/16 as a result of the increase in retirements through the public sector voluntary exit schemes.</p>		

6. Payments to and on Account of Leavers

	2015/16	2014/15
	£'000	£'000
Refund to members leaving service	474	10
Payment for members joining state scheme	141	-
Transfers to other schemes	3,532	3,600
	<u>4,147</u>	<u>3,610</u>

7. Administration Expenses

	2015/16 £'000	2014/15 £'000
Staff costs (note 19)	2,223	1,920
Agency staff costs (note 19)	50	144
Office overheads	686	592
Depreciation (notes 12 & 13)	306	178
Communication	188	170
Other administration	153	154
Templeton House revaluation (note 13)	(60)	(304)
Actuarial fees	35	39
Internal audit fees	30	25
External audit fees	26	26
Legal and other professional fees	106	268
Medical fees	60	55
	3,803	3,267

8. Investment Income

	2015/16 £'000	2014/15 £'000
Fixed interest securities	5,829	5,778
Dividends from equities	54,463	49,742
Pooled investment vehicles	829	749
Infrastructure/private equity investments	287	-
Net rents from properties	37,007	32,831
Interest on deposits	521	387
Stock lending income	1,172	360
Other - Class Actions/foreign exchange Gains/(losses) & other income	(11,912)	(216)
	88,196	89,631
Irrecoverable withholding tax	(342)	(461)
Total Investment Income	87,854	89,170

Stock Lending

The Fund's securities lending programme continued during the year ended 31 March 2016. 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 2016, securities amounting to £193,235,915 were on loan against collateral of £208,254,171 [2014/15: Securities amounting to £64,434,205 were on loan against collateral of £68,980,168].

9. Financial Assets

	Value at 01 04 2015 (as restated - see note 27) £'000	Purchases at cost £'000	Sales proceeds £'000	Reclass- ifications £'000	Change in market value £'000	Value at 31 03 2016 £'000
Fixed interest securities	213,294	211,820	(219,769)	-	11,562	216,907
Equities	2,263,709	697,887	(648,760)	-	(80,728)	2,232,108
Pooled investment vehicles	2,545,023	75,980	(16,941)	-	(76,031)	2,528,031
Derivative contracts	980	-	-	-	658	1,638
Private equity / Infrastructure	13,206	19,390	(840)	-	3,765	35,521
	5,036,212	1,005,077	(886,310)	-	(140,774)	5,014,205

9. Financial Assets (continued)

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.

The derivatives are forward currency contracts which are regularly traded throughout the year and all movements are reflected within change in market value.

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 £2,347,893 (2014/15: £2,288,659). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on fixed interest securities and investments within pooled investment vehicles. The amount of indirect costs is not shown separately.

	2015/16 £'000	2014/15 £'000
Fixed interest securities		
UK public sector	10,640	10,668
UK other	5,900	9,547
Overseas fixed interest	<u>200,367</u>	<u>193,079</u>
	216,709	213,294
Equities		
UK quoted	1,261,256	1,292,795
UK unquoted	-	-
Overseas quoted	<u>970,852</u>	<u>970,914</u>
	2,232,108	2,263,709
Pooled investment vehicles		
Unit trusts - property	-	-
Unit trusts - other	<u>2,528,031</u>	<u>2,545,023</u>
	2,528,031	2,545,023
Derivative contracts		
Forward currency contracts	<u>1,638</u>	<u>980</u>
	1,638	980
Private Equity / Infrastructure		
UK	400	872
Overseas	<u>35,121</u>	<u>12,334</u>
	35,521	13,206

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 2016 and 31 March 2015 as shown in the analysis above.

9. Financial Assets (continued)

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

Security	Market Value 31 March 2016 £'000	% of Total Fund	Market Value 31 March 2015 £'000	% of Total Fund
Legal & General – North America Equity Index	615,314	10.58%	593,977	10.20%
Legal & General – Europe (ex UK) Equity Index	583,999	10.04%	609,672	10.47%
Legal & General – Japan Equity Index – GBP Hedged	297,483	5.11%	344,291	5.91%

AVC Investments

NILGOSC provides an Additional Voluntary Contribution (AVC) Scheme for its members with two AVC providers, Equitable Life Assurance Society and Prudential Assurance Company Limited. The assets of the AVC Scheme are invested separately from the NILGOSC

pension fund and therefore these amounts are not included in NILGOSC's net assets.

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

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

	Equitable Life £'000	Prudential £'000	2015/16 Total £'000	Equitable Life £'000	Prudential £'000	2014/15 Total £'000
Value at start of year	314	24,452	24,766	314	20,644	20,958
Contributions invested	3	6,371	6,374	3	5,847	5,850
Sales of investments	(27)	(8,874)	(8,901)	(17)	(3,089)	(3,106)
Change in market value	3	(7)	(4)	14	1,050	1,064
Value at end of year	<u>293</u>	<u>21,942</u>	<u>22,235</u>	<u>314</u>	<u>24,452</u>	<u>24,766</u>

10. Investment property

	2015/16 £'000	2014/15 £'000
Fair Value		
At start of year	722,910	587,425
Additions	10,777	92,730
Sales	(36,992)	(14,694)
Gains arising from changes in fair values	32,496	57,449
At end of year	<u>729,191</u>	<u>722,910</u>

The investment properties were valued as at 31 March 2016 by qualified professional valuers working for BNP Paribas Real Estate, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institute of Chartered Surveyors (RICS).

The properties were valued on the basis of Market Value which is an internationally recognised basis and

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

NILGOSC received net rental income of £37.0m (2014/15: £32.8m) in respect of these investment properties.

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

10. Investment property (continued)

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

	2015/16 £'000	2014/15 £'000
Not later than one year	35,952	36,896
Later than one year and not later than five years	124,855	130,578
Later than five years	<u>223,164</u>	<u>239,979</u>
	<u>383,971</u>	<u>407,453</u>

11. Investment management expenses

	2015/16 £'000	2014/15 £'000
Administration, management and custody	18,005	13,479
Performance measurement services	26	26
Other advisory fees	273	321
	<u>18,304</u>	<u>13,826</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
Cost	
At 1 April 2015	550
Additions	9
Disposals	-
At 31 March 2016	<u>559</u>
Amortisation	
At 1 April 2015	88
Charge for the year	181
Amortisation on disposals	-
At 31 March 2016	<u>269</u>
Net book value	
At 31 March 2015	<u>462</u>
At 31 March 2016	<u>290</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	Re- furbishment £'000	Total £'000
Cost				
At 1 April 2015	1,000	387	958	2,345
Revaluation	150	-	-	150
Additions	-	42	19	61
Disposals	-	(12)	-	(12)
At 31 March 2016	1,150	417	977	2,544
Depreciation				
At 1 April 2015	-	266	737	1,003
Charge for the year	40	65	20	125
Revaluation Adjustment	(40)	-	-	(40)
Amortisation on disposals	-	(12)	-	(12)
At 31 March 2016	-	319	757	1,076
Net book value				
At 31 March 2015	1,000	121	221	1,342
At 31 March 2016	1,150	98	220	1,468

The property was valued as at 31 March 2016 by qualified professional valuers working for BNP Paribas Real Estate, Chartered Surveyors, acting in the capacity of External Valuers. All

such valuers are Chartered Surveyors, being members of the Royal Institute of Chartered Surveyors (RICS). The property was valued on the basis of Market Value. The valuation was

carried out in accordance with the RICS Appraisal and Valuation Standards. All the property, plant and equipment are owned by NILGOSC.

14. Revaluation reserve

	2015/16 £'000	2014/15 £'000
At 1 April 2015	-	-
Revaluation during the year	(130)	-
Backlog depreciation	-	-
At 31 March 2016	(130)	-

15. Trade and other receivables

	2015/16 £'000	2014/15 £'000
Receivables and other current assets	17,287	11,144
VAT and other receivables	786	3,933
Less: Provision for impairment of receivables	(276)	(861)
Receivables and other current assets-net	<u>17,797</u>	<u>14,216</u>
Pension contributions due *	11,591	12,633
Prepayments and accrued income	<u>14,581</u>	<u>12,834</u>
	<u>43,969</u>	<u>39,683</u>

*All contributions due to the Scheme relate to the month of March 2016 and were paid in full to the Scheme within the timescale required by the Local Government Pension Scheme Regulations (Northern Ireland) 2014.

16. Cash and cash equivalents

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

	2015/16 £'000	2014/15 £'000
At 1 April		
Net change in cash balances	52,263	47,953
	<u>9,652</u>	<u>4,310</u>
	<u>61,915</u>	<u>52,263</u>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	11,193	8,303
Investment cash	<u>50,722</u>	<u>43,960</u>
	<u>61,915</u>	<u>52,263</u>

17. Trade and other payables

	2015/16 £'000	2014/15 £'000
Trade payables and other current liabilities	23	169
Unpaid benefits	5,302	4,175
Social security and other taxes	3,046	1,463
Accruals and deferred income	<u>19,992</u>	<u>23,228</u>
	<u>28,363</u>	<u>29,035</u>

18. Retirement benefit obligations

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

The funded nature of the Local Government Pension Scheme requires the employer and its employees to pay contributions into the pension scheme, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the Local Government

Pension Scheme Regulations (Northern Ireland) 2014 (as amended) and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 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 2016 NILGOSC had 64 active members (2014/15:60), 57 deferred members (2014/15:51) and 14 pensioners (2014/15:16).

Net defined benefit liability

	2015/16 €'000	2014/15 €'000
Fair value of assets	7,917	7,575
Present value of funded defined benefit obligation	(10,322)	(10,642)
Funded status	(2,405)	(3,067)
Impact of minimum funding requirement / asset ceiling	-	-
Net defined benefit liability	(2,405)	(3,067)

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

Active members	41%
Deferred pensioners	18%
Pensioners	41%

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

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 2016:

	2015/16 %	2014/15 %
Rate of increases in salaries	3.3	3.3
Discount rate	3.5	3.2
Inflation / Pension increase rate	1.8	1.8

18. Retirement benefit obligations (continued)

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:

	2015/16 Years	2014/15 Years
Current pensioners (at age 65) - males	22.3	22.2
Current pensioners (at age 65) - females	24.8	24.7
Future pensioners (at age 65) - males	24.5	24.4
Future pensioners (at age 65) - females	27.2	27.0

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.

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

	2015/16 %	2014/15 %
Equities	71.9	73.0
Bonds	12.1	12.2
Property	13.2	12.6
Cash	2.3	2.0
Other	0.5	0.2

Analysis of amounts charged against profits

	2015/16 £'000	2014/15 £'000
Operating cost		
Current service cost	356	304
Past service cost	-	-
	356	304
Finance cost		
Interest on net defined benefit liability	93	100
Finance cost	93	100

Remeasurement Gains and Losses

	2015/16 £'000	2014/15 £'000
Return on plan assets below/(in excess of) that recognised in net interest	26	(588)
Actuarial (gains)/losses due to change in financial assumptions	(710)	1,121
Actuarial gains due to changes in demographic assumptions	-	-
Actuarial gains due to liability experience	(99)	(58)
Net (gain) / loss	(783)	475

18. Retirement benefit obligations (continued)

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

Scheme assets

	2015/16	2014/15
	£'000	£'000
Fair value of scheme assets at start of year	7,575	6,653
Interest income on assets	244	287
Contributions by Members	112	88
Contributions by the Employer	328	270
Benefits paid	(316)	(311)
Re-measurement (losses)/gains on assets	(26)	588
Fair value of scheme assets at end of year	<u>7,917</u>	<u>7,575</u>

The actual return on assets is as follows:

	2015/16	2014/15
	£'000	£'000
Interest income on assets	244	287
Re-measurement (losses)/gains on assets	(26)	588
Actual return on assets	<u>218</u>	<u>875</u>

Present value of defined benefit obligation

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

	2015/16	2014/15
	£'000	£'000
Present value of obligations at start of year	10,642	9,111
Current service cost	356	304
Interest cost	337	387
Contributions by Members	112	88
Past service cost	-	-
Benefits paid	(316)	(311)
Actuarial (gains)/losses on liabilities – change in financial assumptions	(710)	1,121
Actuarial gains on liabilities – change in demographic assumptions	-	-
Actuarial gains on liabilities – experience	(99)	(58)
Present value of obligation at end of year	<u>10,322</u>	<u>10,642</u>

18. Retirement benefit obligations (continued)

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 2016 and 31 March 2015. In each case only the assumption stated is altered; all other assumptions remain the same.

Discount rate assumption

	31 March 2016		31 March 2015	
	+0.1% p.a.	-0.1% p.a.	+0.1% p.a.	-0.1% p.a.
Adjustment to discount rate				
Present value of total obligation (£000's)	10,107	10,542	10,419	10,869
% change in present value of total obligation	-2.1%	2.1%	-2.1%	2.1%
Projected service cost (£000's)	318	343	294	317
Approximate % change in projected service cost	-3.7%	3.8%	-3.8%	3.9%

Rate of general increase in salaries

	31 March 2016		31 March 2015	
	+0.1% p.a.	-0.1% p.a.	+0.1% p.a.	-0.1% p.a.
Adjustment to salary increase rate				
Present value of total obligation (£000's)	10,379	10,266	10,710	10,575
% change in present value of total obligation	0.6%	-0.5%	0.6%	-0.6%
Projected service cost (£000's)	330	330	305	305
Approximate % change in projected service cost	0.0%	0.0%	0.0%	0.0%

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

	31 March 2016		31 March 2015	
	+0.1% p.a.	-0.1% p.a.	+0.1% p.a.	-0.1% p.a.
Adjustment to pension increase rate				
Present value of total obligation (£000's)	10,484	10,163	10,813	10,474
% change in present value of total obligation	1.6%	-1.5%	1.6%	-1.6%
Projected service cost (£000's)	343	318	317	294
Approximate % change in projected service cost	3.8%	-3.7%	3.9%	-3.8%

Post retirement mortality assumption

	31 March 2016		31 March 2015	
	-1 year	+1 year	-1 year	+1 year
Adjustment to mortality age rating assumption*				
Present value of total obligation (£000's)	10,588	10,055	10,929	10,355
% change in present value of total obligation	2.6%	-2.6%	2.7%	-2.7%
Projected service cost (£000's)	342	318	316	294
Approximate % change in projected service cost	3.5%	-3.5%	3.5%	-3.5%

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

18. Retirement benefit obligations (continued)

Risks associated with the fund in relation to accounting

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

Asset Volatility

The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform, this yield will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which, while expected to outperform corporate bonds in the long term, creates volatility and risk in the short term in relation to the accounting figures.

Changes in Bond Yield

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.

Inflation Risk

The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.

Life Expectancy

The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Exiting Employers

As set out in the Fund's Funding Strategy Statement, NILGOSC seeks to remove as much of the risk as possible of remaining Fund employers being required to make contributions in future to meet the liabilities of departed employers by carrying out a cessation valuation when an employer leaves the Scheme. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

Future cash flows

An estimate of the expected employer's regular contributions to the Fund for the accounting period ending 31 March 2017 is £340k.

19. Staff numbers and related costs

Staff costs comprise:

	Permanently employed staff £'000	Others £'000	2015/16 Total £'000	2014/15 Total £'000
Wages and salaries	1,710	98	1,808	1,658
Social security costs	106	3	109	102
Other pension costs	352	4	356	304
Total	2,168	105	2,273	2,064

Average number of persons employed

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

	Permanently employed staff	Others	2015/16 Total	2014/15 Total
Directly employed	61	2	63	56
Other	-	1	1	2
Total	61	3	64	58

20. Risks Arising from Financial Instruments

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

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

All financial instruments, including cash deposits, present a risk of loss of capital

and those risks will vary depending on the asset type. Investment risk will also be impacted by wider economic conditions and investor sentiment.

20. Risks Arising from Financial Instruments (continued)

Market risk	<p>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.</p> <p>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.</p>
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 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.

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

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

IAS 19 rather than the assumptions and methodology used for funding purposes. The actuarial present value of promised retirement benefits at 31 March 2016

was £7,408m (31 March 2015: £7,405m). To assess the value of the benefits on this basis, the following financial and mortality assumptions have been used:

Financial assumptions

A full actuarial valuation of the NILGOSC defined benefit scheme was carried out as at 31 March 2013. The financial assumptions have been updated by independent qualified actuaries to take account of the requirements of IAS 19.

	31 March 2016 %	31 March 2015 %
Rate of increases in salaries	3.3	3.3
Discount rate	3.4	3.2
Inflation / Pension increase rate	1.8	1.8

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

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:

	2015/16 Years	2014/15 Years
Current pensioners (at age 65) - males	22.3	22.2
Current pensioners (at age 65) - females	24.8	24.7
Future pensioners (at age 65) - males	24.5	24.4
Future pensioners (at age 65) - females	27.2	27.0

The changes in actuarial assumptions as at 31 March 2016 did not have a significant effect on the actuarial present value of promised retirement benefits.

The net assets available for benefits are £5,818m which give a shortfall of £1,590m when compared to the actuarial present value of promised retirement benefits of £7,408m calculated on an IAS 19 basis. Details of the funding position of the Scheme are set out in the Actuarial Statement on pages 81 to 82.

22. Performance against key financial targets

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

23. Contingent liabilities

NILGOSC has contingent liabilities where the possibility of 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 listed for November 2016. 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.

24. Contractual commitments

Outstanding capital commitments (investments) at 31 March 2016 totalled £55m (31 March 2015: £74m). These relate to outstanding amounts committed, but not yet paid, to unquoted limited partnership funds held in the private equity/infrastructure part of the portfolio. The amounts requested by these funds are variable in both size and timing over a period of 5-6 years from the date of the original agreement.

25. Related party transactions

NILGOSC is a Non-Departmental Public Body and was sponsored by the Department of the Environment during 2015/16 (now sponsored by the Department for Communities). 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 and rental income with respect to this property totalled £61,000 in 2015/16 (2014/15: £626,000). The property was sold by the Scheme in August 2015.

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.

26. 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 £7,319 and relate to the non-recovery of pensioner death overpayments, of which £4,218 required approval by the Department of the Environment which was received in May 2016.

Bad debts written off during the year total £609,868 and relate to irrecoverable investment property rental income of £509,150 (1.3% of total rental income for 2015/16), of which £491,029 was provided for in previous years, an irrecoverable tax reclaim of £5,798 and £94,920 in relation to a cessation debt which is not recoverable from an employing authority. These write offs required approval by the Department of Finance which was received in June 2016.

(ii) Special payments

There were no special payments during the year.

27. Prior Period Adjustment

Elements within the Fund Account and Net Asset Statement have been restated for the year ended 31 March 2015 and the year ended 31 March 2014 to remove the value of Additional Voluntary Contributions (AVCs) from the Net Assets of the Scheme. The total market value of AVCs as at 31 March 2015 was £24,766,000.

AVCs were previously included in the Net Assets of the Scheme in line with 'Financial Reports of Pension Schemes, a Statement of Recommended Practice

(revised May 2007)' (SORP). Following a comprehensive review of the basis of preparation of NILGOSC's financial statements it was determined that the SORP is not applicable as NILGOSC applies International Financial Reporting Standards (IFRS). AVCs are outside the scope of IAS 26 'Accounting and Reporting by Retirement Benefit Plans', and therefore should not be included in the Net Assets of the Scheme. AVC transactions are instead included in the financial statements by way of note (see Note 9).

As AVCs are held in the name of a specified member and not in the name of NILGOSC, the total value of AVC investments do not form part of the pension fund and therefore this revised treatment of AVCs provides more reliable and relevant information to users of the financial statements.

The elements of the Fund Account and Net Asset Statement that have been restated are shown in the tables below.

	At 31 March 2015 As previously reported £'000	At 31 March 2015 Restated £'000	Prior Year Adjustment £'000
Fund Account			
Contributions Receivable	231,351	226,405	4,946
Transfers In	5,227	5,224	3
Benefits	(181,519)	(179,314)	(2,205)
Change in Market Value of Investments	609,530	608,466	1,064
Opening Net Assets of the Scheme	5,055,506	5,034,548	20,958
Net Asset Statement			
Financial Assets	5,060,978	5,036,212	(24,766)

	At 31 March 2014 As previously reported £'000	At 31 March 2014 Restated £'000	Prior Year Adjustment £'000
Fund Account			
Closing net assets of the Scheme	5,055,506	5,034,548	20,958
Net Asset Statement			
Financial Assets	4,412,830	4,391,872	(20,958)

28. Post Balance Sheet Event

Subsequent to the year end the United Kingdom voted to leave the European Union. The impact of this on the pension scheme is unclear and NILGOSC will continue to review this situation going forward.

The Financial Statements were authorised for issue by the Accounting Officer on 23 August 2016.

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.

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 was 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 assumed 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.

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 post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) 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.

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.

The actuarial valuation of the Fund as at 31 March 2016 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions for the period from 1 April 2017 to 31 March 2020 to be signed off by 31 March 2017.

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.

Aon Hewitt Limited
3 May 2016

Aon Hewitt Limited
25 Marsh Street
Bristol
BS1 4A

APPENDICES



ANNUAL EQUALITY STATEMENT YEAR ENDED 31 MARCH 2016

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 2015/16 and the equality agenda continues to be promoted and supported by the most senior levels of the organisation.

The NILGOSC Corporate Plan for 2015/16 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 2015/16 to ensure that its policies and procedures are fair and lawful. NILGOSC undertook an Audit of Inequalities 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 Equality Scheme Action Plan for 2015 to 2018 which, following consultation, was submitted to the Equality Commission in September 2015. A number of the actions set out in the Action Plan for 2015 to 2018 were progressed during the 2015/16 financial year. Some of the actions that have been taken or that are in progress include:

- On 1 October 2015, NILGOSC enrolled all staff onto an e-learning course "Equality and Diversity in the Northern Ireland Workplace". The course is CPD accredited and has been specifically designed for the Northern Ireland workplace. The course has been completed by all staff and any new staff are enrolled onto the course as part of the induction process. External training was also provided at the Staff Conference on 26 February 2016 to all staff on practical customer care when dealing with members with different disabilities or communication barriers.
- NILGOSC's policies have been updated to reflect the Shared Parental Leave arrangements applicable from 5 April 2015.
- Job descriptions are being updated on an ongoing basis to include a paragraph regarding equality duties that form part of responsibilities of the post.
- NILGOSC improved the markings and signage in respect of the disabled parking space available in the Templeton House car park.
- Following on from the data gathered as part of the Audit of Inequalities, recruitment advertising continues to target underrepresented groups by welcoming applications from males, people with disabilities and Roman Catholics.
- 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 2016, there are 53 individuals to whom NILGOSC sends information in an alternative format.
- NILGOSC has continued to record the key reasons for members leaving the Scheme to try and identify any

patterns which may indicate potential inequalities.

- A review of the potential inequalities inherent in the Local Government Pension Scheme Regulations (Northern Ireland) 2014 was completed and the Department of the Environment was advised in August 2015 of one item that it may wish to consider.
- A staff survey regarding Equality and Good Relations was 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 2015/16 and published quarterly screening reports on the website.

NILGOSC did not receive any complaints relating to equality issues in the 2015/16 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

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

ANNUAL REPORT OF THE AUDIT AND RISK ASSURANCE COMMITTEE FOR YEAR ENDED 31 MARCH 2016

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 2016.
- 1.2 This report provides a summary of the main areas and issues considered by the Audit & Risk Assurance Committee during 2015/16.

2 Constitution of the Audit & Risk Assurance Committee

- 2.1 The Management Committee established an Audit & Risk Assurance Committee to act in an advisory capacity.
- 2.2 Ciaran Quigley's term of appointment ended on 30 September 2015. Joan McCaffery was appointed as a new member to NILGOSC on 1 March 2016. The Committee agreed at its meeting on 22 March 2016 that Joan would sit on the Audit & Risk Assurance Committee. There were no other membership changes to the Audit & Risk Assurance Committee during the 2015/16 period. There were five members as at 31 March 2016.
- 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 2014/15 were prepared in accordance with the FReM and presented to the Audit & Risk Assurance Committee on 10 August 2015. In line with DAO (DFP) 10/12 'Requirement to Complete a Governance Statement', the Chief Executive prepared his Governance Statement for 2014/15, which was considered and endorsed by the Audit & Risk Assurance Committee for inclusion in the 2014/15 Annual Report.
- 3.2 In addition to the Governance Statement, the Annual Report 2014/15 also included the Annual Report of the Audit & Risk Assurance Committee. On the recommendation of the Audit & Risk Assurance Committee, the Annual Report 2014/15 was approved by the Management Committee at its meeting on 25 August 2015 and laid before the Assembly on 8 September 2015.

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. 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 2014/15 (RTTCWG) to the Audit & Risk Assurance Committee on 10 August 2015.
- 4.3 The External Auditor advised the Audit & Risk Assurance Committee that, other than losses highlighted in Note 23 to the financial statements, there were no significant regularity, propriety or losses issues identified during the audit. The opinion of the External Auditor was that the financial statements had been properly prepared and provided a true and fair statement of NILGOSC's affairs as at 31 March 2015.
- 4.4 The Local Government Auditor issued a clean audit opinion for the year ended 31 March 2015. There were no recommendations included within the RTTCWG 2014/15.
- 4.5 KPMG presented its Audit Strategy 2015/16 to the Audit & Risk Assurance Committee at its meeting on 22 February 2016, which was subsequently approved.

5 Internal Audit

- 5.1 Following a competitive tendering exercise for the appointment of a new outsourced internal audit service provider, a contract was put in place from 1 April 2015. The appointment is initially for a three year period, with NILGOSC having the option to extend the contract for two further one-year periods. The Internal Auditor presented the five-year Internal Audit Strategy to the Audit & Risk Assurance Committee at its meeting on 1 June 2015 and also presented the Internal Audit Charter, which formally sets out the purpose, authority and responsibility of the Internal Auditor. The Audit & Risk Assurance Committee approved both the Internal Audit Strategy and the Internal Audit Charter.

5.2 The Internal Auditor presented the final audit plan for 2015/16 to the Audit & Risk Assurance Committee on 10 August 2015 and confirmed that the plan was established within the context of NILGOSC's Internal

Audit Strategy. The Audit & Risk Assurance Committee approved the Internal Audit Plan 2015/16. A revision was made to the plan and was approved by the Audit & Risk Assurance Committee at its meeting

on 23 November 2015.

5.3 The internal audit reviews conducted during 2015/16 and the assurance opinion provided in respect of each is set out in the table below:

Review	Assurance Opinion
Communications	Substantial
Financial Management	Substantial
Pensions Administration	Satisfactory
Business Continuity Planning and Disaster Recovery Planning	Satisfactory
Procurement and Contract Management	Satisfactory
Compliance with TPR Code of Practice No.14	Substantial
Review of Assessment of Employer Covenants	Satisfactory

5.4 '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 three areas and that Internal Audit did not identify any significant issues arising as a result of any of the internal audit reviews undertaken during 2015/16.

5.5 The Audit & Risk Assurance Committee receives bi-annual reports on the progress against implementation of Internal Audit recommendations. These reports were provided in August 2015 and February 2016 and the Audit & Risk Assurance Committee was pleased to note that good progress had been made.

5.6 In their Annual Assurance Report, the Internal Auditors stated that, during the twelve month period ended 31 March 2016, NILGOSC's systems in relation to risk management, control and governance were adequate and operated effectively, thereby providing satisfactory assurance in relation to the effective and efficient achievement of NILGOSC's objectives.

5.7 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 2016.

6 Risk, Control and Governance

6.1 During the annual review of the risk register in May 2015, the risk register was extensively reviewed, with risks being re-assessed and re-evaluated. A new 'operational' risk category was added to the register and risks were allocated to this category as appropriate. Overall, two risks were removed from the register and four new risks were added to the register. The Audit & Risk Assurance Committee reviewed the risk register 2015/16 and approved the content.

6.2 At its meeting in June 2015, the Audit & Risk Assurance Committee reviewed NILGOSC's updated Risk Management Policy. The Policy had been amended to reflect the new 'operational' category of risk, as noted at 6.1, and to outline the risk appetite attributable to this category of risk. The Audit & Risk Assurance Committee was content to approve the policy.

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 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.

6.4 The quarterly risk reviews and subsequent reports provided during 2015/16 resulted in an increase in the net risk score of four risks 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 2015/16. The Audit & Risk Assurance Committee also reviewed progress against the information risk action plan on a bi-annual basis and was pleased to note that good progress had been made.

6.5 A copy of the NIAO's guide, 'Good Practice Guide on Managing Risk in a Changing Environment', was provided to the members of the Audit & Risk Assurance Committee in November 2015.

7 Fraud

7.1 The Annual Fraud Report 2015/16 outlined that no cases of suspected fraud had been identified during the year ended 31 March 2016.

7.2 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 the investigation of matches

identified through the National Fraud Initiative and mortality tracing exercises. It includes any cases that have been reported through NILGOSC's Whistleblowing Policy and also provides details of any anti-fraud initiatives undertaken by NILGOSC, such as the commencement of monthly matching of NILGOSC data to death data provided by the General Register Office for Northern Ireland.

8 Other

8.1 In June 2015, the Audit & Risk Assurance Committee reviewed the outcome of the annual Business Continuity Plan (BCP) test undertaken in March 2015. The test was a practical exercise, designed to test NILGOSC's ability to submit a BACS file and to process immediate payments from the disaster recovery site, having restored the SharePoint and pensions software servers at that site. The Audit & Risk Assurance Committee noted that any issues identified, that were not minor in nature, were retested and resolved promptly. Any other issues were minor and were included within the resultant action plan. The Audit & Risk Assurance Committee took assurance from the successful

outcome of the tests, noting the report and action plan.

8.2 The Terms of Reference for the Audit & Risk Assurance Committee are reviewed annually. The scope and content of the Terms of Reference were reviewed to ensure compliance 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, reflecting that the Audit & Risk Assurance Committee will, in future, be provided with a report of any breaches reported to The Pensions Regulator in line with its Code of Practice 14: Governance and Administration of Public Service Pension Schemes. At its meeting on 23 November 2015, the Audit & Risk Assurance Committee reviewed and considered the changes made to the Terms of Reference since the last review in October 2014 and was content to recommend them to the Management Committee for approval. The approved Terms of Reference are available to view on NILGOSC's website.

8.3 At its meeting on 23 November 2015, the Audit & Risk Assurance

Committee noted the guidance and 'Annual Compliance Report on the Use of External Consultants 2013/14' (DAO (DFP) 09/15). The Audit & Risk Assurance Committee noted that NILGOSC had been included incorrectly in Annex 2 of the report as having procured an external consultancy project via a direct award contract without Departmental Accounting Officer approval. It requested that the Department follow-up to have this error corrected and the report reprinted.

8.4 A Departmental representative was in attendance at all of the four Audit & Risk Assurance Committee meetings held in 2015/16.

9 Effectiveness of the Audit & Risk Assurance Committee

9.1 The Audit & Risk Assurance Committee met four times during 2015/16 in accordance with the planned work programme.

9.2 The following table sets out the attendance record for 2015/16 (refer to section 2.2 for membership changes):

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

* Term of appointment ended on 30 September 2015, therefore only required to attend two meetings.

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 2016 to discuss the questions on the

checklist and review its effectiveness for the reporting period 1 April 2015 to 31 March 2016. The outcome of the assessment demonstrated that the Audit & Risk Assurance Committee operated effectively during the reporting period and is compliant with the five good practice principles set out in the checklist.

9.5 One of the actions arising from the review of effectiveness in 2014/15 was that the Audit & Risk Assurance Committee should receive training on 'current issues and hot topics'

related to their work, including governance, risk and internal control. This training was delivered by the Internal Auditor in February 2016.

10 Opinion

10.1 Based on the assurances and information provided during the year ended 31 March 2016, 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 2016

Councils

Antrim and Newtownabbey Borough Council
Ards and North Down Borough Council
Armagh, Banbridge and Craigavon District Council
Belfast City Council
Causeway Coast and Glens District Council
Derry City and Strabane District Council
Fermanagh and Omagh District Council
Lisburn and Castlereagh City Council
Mid and East Antrim District Council
Mid Ulster District Council
Newry, Mourne and Down District Council

Education and Library Authorities

Education Authority
Libraries NI

Restricted Membership

Alpha Housing Association
Amey Community Limited
Apex Housing
Capita Managed IT Solutions Limited
Choice Housing Ireland Limited
Citizens' Advice Bureau
City of Derry Airport
Fold Housing Association
Graham Asset Management
HSG Zander Ireland Facilities Services Limited
Northern Community Leisure Trust
Northern Community Leisure Trust 2
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 Homes Limited
Construction Industry Training Board
Council for Catholic Maintained Schools
Council for the Curriculum, Examinations and Assessment
Covenanter Residential Association Limited
Derry Visitor and Convention Bureau
Engineering Training Council (NI) Limited
General Teaching Council for Northern Ireland
Glenmona Resource Centre
Greenwich Leisure Limited
Grove Housing Association Limited
Habinteg Housing Association (Ulster) Limited
Hearth Housing Association Limited
Helm Housing
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
Ulsterbus Limited
Woodvale and Shankhill
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 Grammar School
Corran Integrated Primary School
Cranmore Integrated Primary School
Dalriada School
Dominican College – Belfast
Dominican College – Portstewart
Drumlins Integrated Primary School
Drumragh Integrated College
Enniskillen Integrated Primary School
Erne Integrated College
Foyle and Londonderry College
Friends School
Hazelwood College
Hazelwood Integrated Primary School
Hunterhouse College
Integrated College Dungannon
Jordanstown Schools
Lagan College
Larne Grammar School

Loreto College
Loreto Grammar School
Loughview Integrated Primary School
Lumen Christi College
Maine Integrated Primary School
Malone College
Methodist College
Mill Strand Integrated Primary School
Millennium Integrated Primary School
Mount Lourdes Grammar School
New-Bridge Integrated College
North Coast Integrated College
Oakgrove Integrated College
Oakgrove Integrated Primary School
Oakwood Integrated Primary School
Omagh Integrated Primary School
Our Lady & St Patrick's College
Our Lady's Grammar School
Phoenix Integrated Primary School
Portadown Integrated Primary School
Rainey Endowed School
Rathmore Grammar School
Roe Valley Integrated Primary School
Rowandale Integrated Primary School
Royal Belfast Academical Institution
Royal School, Armagh
Royal School, Dungannon
Sacred Heart Grammar School
Saints and Scholars Integrated Primary School
Shimna Integrated College
Slemish Integrated College
Sperrin Integrated College
Spires Integrated Primary School
St Colman's College
St Columb's College
St Dominic's High School
St Joseph's Grammar School
St Louis Grammar School
St Malachy's College
St Mary's Christian Brothers
St Mary's Grammar School
St Michael's College
St Patrick's Academy
St Patrick's Grammar School
St Patrick's Grammar School, Armagh
St Ronan's College
Strangford College
Strathearn School
Sullivan Upper School
Thornhill College
Ulidia Integrated College
Victoria College
Wallace High School
Windmill Integrated Primary School

Further and Higher Education Colleges and Universities

Belfast Metropolitan College
North West Regional College
Northern Regional College
South Eastern Regional College
South West College
Southern Regional College
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
Accrual rate	This is the rate at which pension benefits build up for the member e.g. 1/49 th times pensionable pay for each year of membership.
Active Member	Current member of the pension scheme who is building up retirement benefits from their present job.
Active Management	A style of investment management whereby the manager seeks to add value to the fund by actively buying and selling shares.
Actuary	Expert on pension scheme assets, liabilities, life expectancy and probabilities. An actuary works out whether enough money is being paid into a pension scheme to pay the pensions when they are due.
Actuarial Valuation	An assessment performed by an actuary, usually every three years, to determine how much money needs to be put into a pension scheme to ensure that there are sufficient funds available to meet future pension payments.
Additional Voluntary Contributions (AVC's)	Contributions made by an individual over and above the normal contribution level to increase the level of benefits available on retirement. These contributions are paid to an insurance company.
Asset Allocation	The decision as to which mix of assets to buy – shares, bonds, property or cash.
Automatic Enrolment	The process whereby employers must automatically enrol workers that meet specified eligibility conditions into a qualifying pension scheme. Workers have the option to opt out.
Balanced Management	A traditional approach to investment whereby a manager buys a combination of shares and bonds to provide both income and capital appreciation while avoiding excessive risk.
Benchmark	A standard against which investment performance is measured. A common benchmark is the FTSE All-Share Index which includes a large percentage of all quoted shares.
Benefit Statement	A statement showing an individual the pension benefits they have earned so far together with a forecast of what their final pension might be.
Career Average Revalued Earnings (CARE)	A defined benefit scheme in which pension benefits are based on a career average pay and length of membership in the Scheme and re-valued to retirement.
Cohabiting Partner	Couples who live together but do not marry or enter a civil partnership. 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).
Consumer Price Index (CPI)	CPI forms the basis for the Government's inflation target. It is an index published by the Government each month reporting the change in the price of a 'basket of goods, commodities and services' and a measure of inflation within the UK. It excludes housing costs and mortgage interest payments. CPI can be used for revaluing pensions in deferment and increases to retirement income.
Contributions	The money paid by an individual or his/her employer into a pension fund.
Corporate Bonds	Loan stock issued by companies which offer a fixed rate of interest paid over the duration of the loan, together with repayment on maturity at a predetermined rate.

Term	Definition
Coupon	The nominal interest a bond will pay at each payment date.
Death Benefit	This may be paid to a member's dependants if the member dies. It may be a pension or a one-off payment.
Deferred Benefits	Benefits which are calculated at the time an individual leaves the scheme and are payable at a later date.
Deferred Member	An individual who has left the scheme but will get pension benefits when they reach their normal retirement age.
Defined Benefit Scheme	A pension scheme which states in advance the level of benefits that will be paid on retirement, usually based on the service and earnings.
Dependant	This is someone who is dependent on a member of the pension scheme (or on a pensioner of the scheme).
Eligible Child	<p>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).</p> <p>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.</p>
Expression of wish	An expression of wish enables a member to tell NILGOSC who they would like to receive any death grant due if they die. NILGOSC does not have to follow the member's wish but will take it into account.
Final Pensionable Pay	The pensionable earnings on which the benefits are calculated. This may be based on how much an individual is earning when they retire or the best pensionable earnings in the last three years.
Final Salary Scheme	A defined benefit scheme where the pension benefits paid on retirement are based on how much an individual is earning when they retire.
Fund Manager	A professional manager of investments often employed by a pension scheme to manage assets on their behalf.
Gilts	Bonds issued by the Government.
Ill-health early retirement	If a member meets the qualifying criteria for ill-health retirement, their benefits will be brought into payment early. Active members receive enhanced pension benefits, depending on the severity of their medical condition.
Index	In the stock market, an index is a device that measures changes in the prices of a basket of shares, and represents the changes using a single figure. The purpose is to give investors an easy way to see the general direction of Shares in the index.
Index Linked Gilts	A type of bond where the interest payment is guaranteed to rise in line with the Retail Prices Index.
Index Tracking Fund	Investments are made to match closely the performance of a market index such as the FTSE All-Share Index. It does not aim to outperform the market like active management does.
Inflation	The general rate of increase in prices and wages over a period of time.
Occupational Pension Scheme	A pension scheme established by an employer to provide pension benefits to its employees on their retirement.

Term	Definition
Opting Out	<p>This is when an employee leaves a pension scheme or chooses not to join one.</p> <p>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.</p>
Passive Management	A style of investment management where no active management is required, instead investments are made in line with an index.
Pension	A regular income paid to an individual on their retirement.
Pensions Increase	In April each year NILGOSC increases pensions to reflect rises in the cost of living.
Pensionable pay	These are the earnings used to work out a member's benefits and contributions. They might not include overtime.
Pensionable Service	The period of employment that is taken into account when calculating final salary pension benefits.
Retail Prices Index (RPI)	An index published by the Government each month reporting the change in the price of a 'basket of goods, commodities and services' and is the accepted measure of inflation within the UK. This is a slightly different 'basket of goods, commodities and services' from those used to calculate CPI as it includes housing costs such as mortgage interest payments. RPI can be used for revaluing pensions in deferment and increases to retirement income.
Rule of 85	<p>The Rule of 85 refers to a provision of the Scheme which allowed members who retired early to take their pension entitlements without penalty if the sum of their age and length of membership equalled 85 years or more. This rule was abolished on 1st October 2006 however members who joined before this have some protections:</p> <ul style="list-style-type: none"> - 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.
Securities	A general name for shares, stocks and bonds issued to investors.
Shares	Sold by companies looking to raise money. Shares give the holders an interest in the company and a right to share in the profits.

Term	Definition
State Pension Age	<p>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.</p> <p>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.</p>
Stock Selection	The process of selecting which individual shares and bonds to buy and sell.
Superannuation	A term used to describe contributions made to a pension scheme, particularly in the public sector.
Transfer Value	The value of an individual's pension rights which may be transferred, subject to conditions, to another pension scheme to provide alternative benefits if they have left the Local Government Pension Scheme.

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