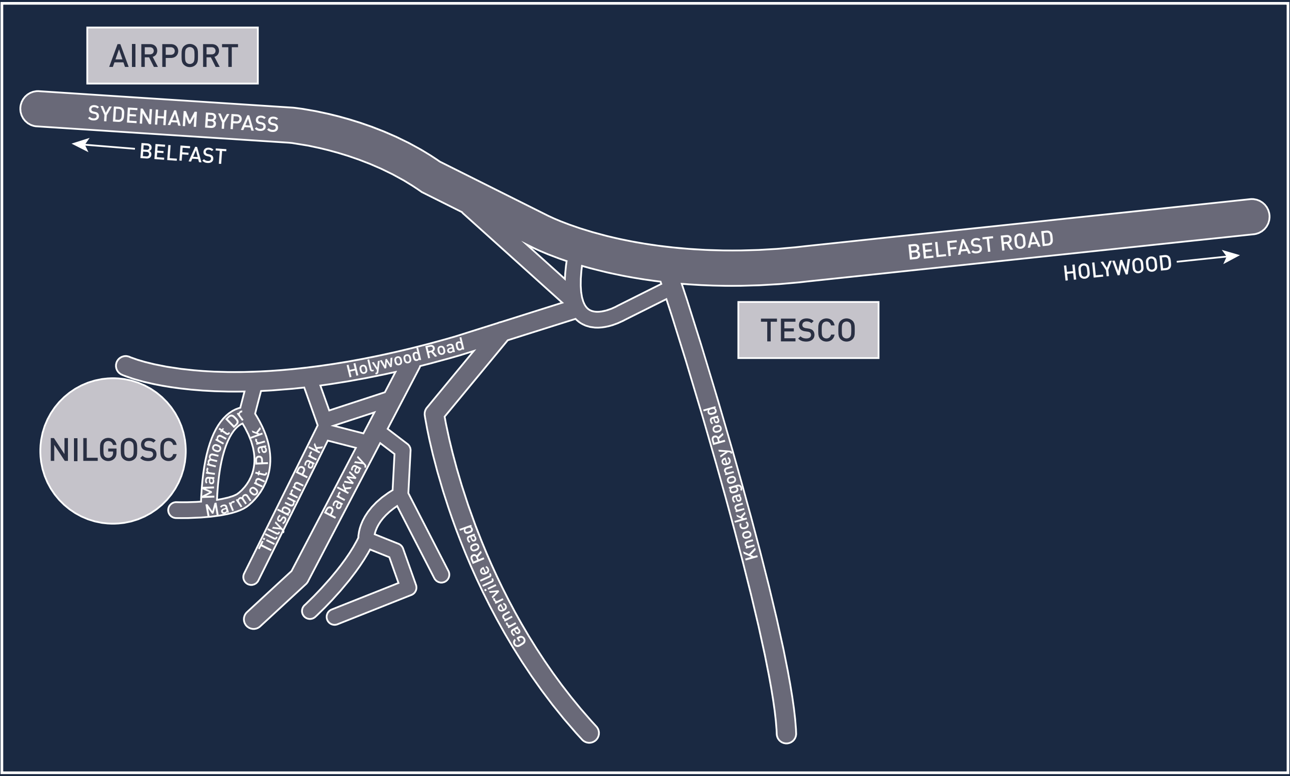
NILGOSC
NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE

ANNUAL REPORT AND ACCOUNTS 2020/21

NORTHERN IRELAND
LOCAL GOVERNMENT OFFICERS'
SUPERANNUATION COMMITTEE



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

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NILGOSC Annual Report and Accounts

For the Year Ended 31 March 2021

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

on

10 September 2021

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Foreword

Statutory Background

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

In accordance with Regulation 63(2) of the Local Government Pension Scheme Regulations (Northern Ireland) 2014, as amended, the Secretary of the Committee submits its Annual Report for the year ended 31 March 2021 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 Financial Statements;

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

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

Audit

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

Disclosure of Relevant Audit Information

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

Important Events Occurring After the Year End

There have been no significant events since 31 March 2021.

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 2021 NILGOSC paid 906 invoices totalling £16.836m on 10 day terms, of which 43 undisputed invoices were late. 99.12% of invoices were paid within 30 calendar days and no late payment interest was payable during the year. The average time to pay invoices during the year was 9 working days (2019/20: 9 working days).

Performance Report OVERVIEW

INTRODUCTION

This section is intended to provide an overview of NILGOSC and how it has performed over the last twelve months. It also provides a summary of its main corporate objectives and activities, as well as the key issues and risks that could prevent it from meeting those objectives. The section begins with a Statement from the Chair and the Chief Executive which provides their perspective on NILGOSC's key activities and achievements during the year ended 31 March 2021. It concludes with highlights of NILGOSC's performance from both a Scheme Administration and Investment perspective.

JOINT STATEMENT FROM THE CHAIR AND CHIEF EXECUTIVE

2020/21 saw a year of unprecedented government restrictions and economic disruption across the globe. NILGOSC, like every other key service delivery organisation, has had to adapt and evolve to continue to meet stakeholder demands in what has been a particularly challenging operating environment.

As the pandemic hit almost every country in the world, government restrictions impacted societies and economies in ways that were previously unimaginable. From NILGOSC's perspective, both as a global investor and a core public service organisation, the impact on its investment portfolio and administration operations has been significant. The payment of pensions and other retirement benefits remained a critical priority and, thanks to its essential service status, NILGOSC was able to maintain service delivery to its members and pensioners throughout this very difficult time.

This statement is our perspective on the performance and achievements of the organisation during the year ended 31 March 2021.

Investment Performance

Having just seen the most aggressive equity market sell-off ever witnessed in March 2020, the current financial year started with one of the most impressive market recoveries on record. Markets continued to rise on the back of easing restrictions and the subsequent economic rebound, alongside various government stimulus packages and optimism over vaccine development. It hasn't always been a smooth ride, with a number of market corrections during the remainder of the calendar year. Despite this, global stock market returns for 2020 were above their historical norm.

The final three months of the year to 31 March 2021 saw more volatility in market returns with further corrections in equity markets and falling bond prices. A year on from equity markets having bottomed, global equities have rallied to above pre-Covid highs and bond yields have risen on the back of rising optimism for the global economy. Equity and fixed income markets posted returns of 55.6% and 3.2% for the year, while other assets, such as property and infrastructure posted returns of 2.6% and 10.1% respectively.

Despite the volatility, NILGOSC's diversified portfolio performed well during 2020/21 ending the year higher than it started at £9.795bn. NILGOSC measures investment performance over a 3 and 5 year horizon to support its longer term strategy and, at 31 March 2021, had out performed its investment target of Consumer Price Index (CPI)+3.5% on a 3 and 5 year basis with returns of 8.91% and 10.84% respectively.

From an investment perspective, 2020/21 was to see the implementation of the third and final phase of the transition to the new strategic asset allocation set in December 2017. This final phase involved the funding of a new global property mandate and a new emerging market equity mandate, to equate to 3% and 2.5% of the total Fund respectively. CBRE were appointed as NILGOSC's global property manager in February 2020 and, as a result of the pandemic, a prudent approach to capital deployment was adopted with drawdowns commencing in the quarter ended June 2020. William Blair was selected as NILGOSC's emerging market equity manager in March 2020, subject to satisfactory due diligence. The pandemic did delay the final completion of due diligence until March 2021, with the mandate funded in May 2021. Work also continued on the build-up of the infrastructure portfolio with commitments of €50m and £45m made to funds managed by Copenhagen Infrastructure Partners and Antin Infrastructure Partners respectively.

Further details on NILGOSC's investment strategy and fund objective are set out in the Performance Analysis Investment of the Fund section of this Annual Report starting on page 43.

As economies began to emerge from the first wave of the pandemic, the UK Government's focus shifted back to ensuring a 'green' recovery, culminating in the release of its 'Build Back Better' plan for growth in March 2021. A key part of this plan sets out how growth can support the transition to net zero, in line with the UK Government's climate change ambitions. On a similar theme, the Pension Schemes Act 2021 received Royal Assent and became law in February 2021.

Recognising the role pension funds can play in the UK's climate change strategy, the legislation introduces new governance and reporting requirements in respect to climate risks and opportunities. Managing climate risk is not new to NILGOSC, which as a global and long-term investor has long since recognised the risk that a changing climate brings to the value and security of pension scheme investments and capital markets more broadly. NILGOSC's approach is set out in its Climate Risk Statement and Responding to Climate Change publications, both of which can be found on our website at https://nilgosc.org.uk/pension-fund/being-a-responsible-investor/.

In June 2020, NILGOSC became an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD), an initiative created to improve and increase the reporting of climate-related financial information. In the same month, NILGOSC joined other organisations in co-signing letters to the UK Government and to EU heads of state calling for a sustainable resilient recovery. NILGOSC continued its support for various global climate initiatives in 2020/21 including the CDP's 2020 Non-Discloser, Climate Change, Water and Forests campaigns. In January 2021 NILGOSC, in conjunction with some of the UK's largest pension fund investors, wrote to the Prime Minister expressing their strong support for the aims of the Paris Agreement and seeking a meeting to discuss how the financial sector can contribute to the UK's decarbonisation efforts.

NILGOSC believes that such engagement with governments and policy makers is the key to establishing long-term policies which will ultimately shape a low carbon future. It accepts that there are differing views as to how to expedite the carbon transition but continues to believe that the best way to bring about change in corporate behaviour is to remain as an active and influential investor. Throughout 2020/21 NILGOSC continued to use its voting rights to encourage the disclosure of carbon emissions as well as the inclusion of climate risk mitigation within the business strategy of investee companies. The value of having a seat at the table at a company or industry that has the power to address climate change should not be underestimated if the goals of the Paris Agreement are to be met.

Whilst climate change has dominated responsible investment agendas in recent years, NILGOSC's responsible investment activities are not solely focused on carbon and it continues to show its support across a range of environmental, social and governance issues. Further information on the full range of NILGOSC's responsible investment activities can be found in the Investment of the Fund section of this Annual Report or at www.nilgosc.org.uk/pension-fund/being-a-responsible-investor/

A further consequence of the pandemic is the potential impact on the funding level. The market volatility experienced at the outset of the financial year heightened concerns around the Scheme funding level and contribution rates recently agreed as part of the 2019 valuation. As a consequence, NILGOSC undertook to review employer contribution rates certified for 2021/22 and 2022/23 to ensure they remained sustainable. The Committee formally considered the position in September 2020 and based on available data at that time, was pleased to be able to remove the uncertainty for scheme employers and confirm that the employer contribution rates for 2021/22 and 2022/23 would remain as set out in the 2019 Actuarial Valuation Report. Further details on funding position and contribution rates payable can be found in the Performance Report.

Scheme Administration

Scheme membership grew by 2.5% during the year, bringing the total number of members to 142,492 at 31 March 2021. Of this total, 50% are actively contributing to the pension scheme, 22% have previously contributed but have not yet reached retirement and the remaining 28% are currently in receipt of a NILGOSC pension every month. The last year has impacted on the volume of new members joining the Scheme, with numbers 26% lower than in the previous year, primarily a result of pauses in recruitment during the pandemic. Whether this is a short term anomaly or a longer term trend remains to be seen.

As a public facing service, government restrictions did create a challenging environment for scheme administration, particularly during the first three months of the pandemic. Careful prioritisation of services based on each member group's needs and priorities resulted in the uninterrupted delivery of core services such as the payment of pensions, retirement lump sums and payments due on death. Social distancing requirements necessitated remote working for those functions which could facilitate it and it is a testament to the dedication of all NILGOSC staff that it has been able to adapt and maintain high quality service delivery to its members and pensioners. Processes and procedures were adapted to better facilitate the receipt of key documentation electronically.

From our perspective, it is particularly pleasing to note the strong performance against service standards during 2020/21 as reported on page 26.

Prior to the pandemic, NILGOSC had been rolling out its member self-service facility *My NILGOSC Pension Online* as a core delivery tool. *My NILGOSC Pension Online* allows members to access their pension records at a time convenient to them, as well as providing the facility to update basic information directly, upload documentation and see an estimate of what their pension will be on retirement. In June 2020, deferred members received their annual pension benefit statement online for the first time, except for those who had specifically requested a paper version. *My NILGOSC Pension Online* is now the default delivery method for information sent to members upon joining the pension scheme however personal preference remains a critical factor in member engagement and everyone has the option to receive information in their preferred format. Member satisfaction continues to be monitored closely and the results of the annual satisfaction survey undertaken in March 2021 show an overall satisfaction level with the service provided of 90%.

A key deliverable for 2020/21 was the procurement of a pension administration software system to provide medium term certainty beyond the expiry of the current contract, which terminates in 2022. The pensions administration system is the business-critical system which holds member data, calculates benefits and monthly pensions. This was a significant piece of work due to the complexity and importance of the system and NILGOSC participated in a national collaborative procurement initiative with a number of UK Local Government Pension Scheme (LGPS) funds. This culminated in the completion of a successful procurement exercise by NILGOSC in late 2020, which provides the certainty needed to move forward with plans to implement an electronic data exchange facility for Scheme employers. The impact of the pandemic did result in the deferral of certain non-critical tasks at the outset as resources were refocused on core service delivery. As a result, a number of longer term projects including the implementation of an electronic record management system, office refurbishment and the identification of a replacement finance system have all been pushed back into subsequent business planning periods.

Looking Forward

One year on from the start of the pandemic, it remains a challenging and uncertain operating environment for pension schemes. Many temporary changes made by NILGOSC at the outset of the pandemic, such as remote working for certain functions and a suspension of face-to-face service delivery, remain in place. Despite this, NILGOSC managed to deliver 91% of its Corporate Plan for 2020/21 and has set out ambitious plans for the year ahead, both in respect of core service delivery and new activities.

The biggest challenge to the funding and administration of public sector pensions continues to be a series of high profile legal decisions, most notably the McCloud judgment, which requires amendments to all public sector schemes including the LGPS to remove any discrimination on the grounds of age. A further two legal judgments made during 2020, known as the Goodwin and Lloyds judgments, will result in further changes to Scheme regulations and therefore administration.

From a scheme administration perspective, the above legal judgments will have material implications on resourcing and service delivery, as NILGOSC will be required to update all its systems, software, processes, and scheme literature to reflect any changes. Retrospective scheme changes are anticipated which are particularly challenging, as they require the recalculation of benefits paid or accrued since the effective date. The proposed remedy for McCloud will require pension schemes to collect significant amounts of data dating back to 2015, which will require a considerable administration effort from both NILGOSC and scheme employers and may create challenges in retrieving older data. Data accuracy continues to be a key area of focus and will be critical to the success of the Government's Pension Dashboard initiative, which once operational will allow individuals to view details of all pension entitlements in a single location, including state and other public sector pensions.

Efficient and effective systems remain the key to successful service delivery to both members and employers and NILGOSC has planned a number of enhancements for the year ahead. Now that the provision of pension software has been secured over the medium term, work will recommence on implementing an integrated electronic data submission and exchange facility for scheme employers. This secure facility is expected to yield significant benefits from a data accuracy, efficiency and information security perspective.

From a member perspective, the focus will be on increasing utilisation of the self-service facility and active members will receive their 2020/21 annual benefit statements electronically for the first time, unless they have specifically requested a paper version. NILGOSC will launch a reconnection programme in 2021/22 for those members who are not currently using the self-service facility, to help ensure that they do not become disengaged from their pension, which remains an important part of their remuneration package.

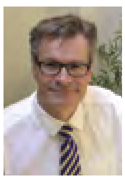
From an investment perspective, the legislative changes noted above also have the potential to materially impact on the investment and funding side. Given the current economic environment, any increase in employer costs will further stretch the already strained budgets of scheme employers and potentially impact on longer term sustainability of scheme membership. Sustainability will be a key focus at the triennial investment strategy review, which is scheduled for 2021. This review will critically assess NILGOSC's existing investment strategy in the context of current economic conditions and expected future investment returns. An inherent part of the strategy review will ensure that NILGOSC's responsible investment policy remains embedded in decision making, with climate risk mitigation a key factor for consideration.

Thanks

Given the challenges of the last twelve months, we are particularly pleased with how NILGOSC has performed during the year. This is primarily due to the commitment and dedication of the staff and management team who worked tirelessly and adapted quickly to ensure essential member services were delivered throughout the pandemic. The virus has affected us all in many ways and we would like to express our sincere thanks to the staff for their continued effort and support throughout this time.

We would also like to express thanks to current Committee members, many of whom are new to the role and have had to adapt to a new virtual induction and meeting format. 2020/21 saw six long serving Committee members reach the end of their term of office and we would like to place on record our thanks to those members for their important contribution.

Lindsay Todd
Chair



David Murphy
Chief Executive and Secretary

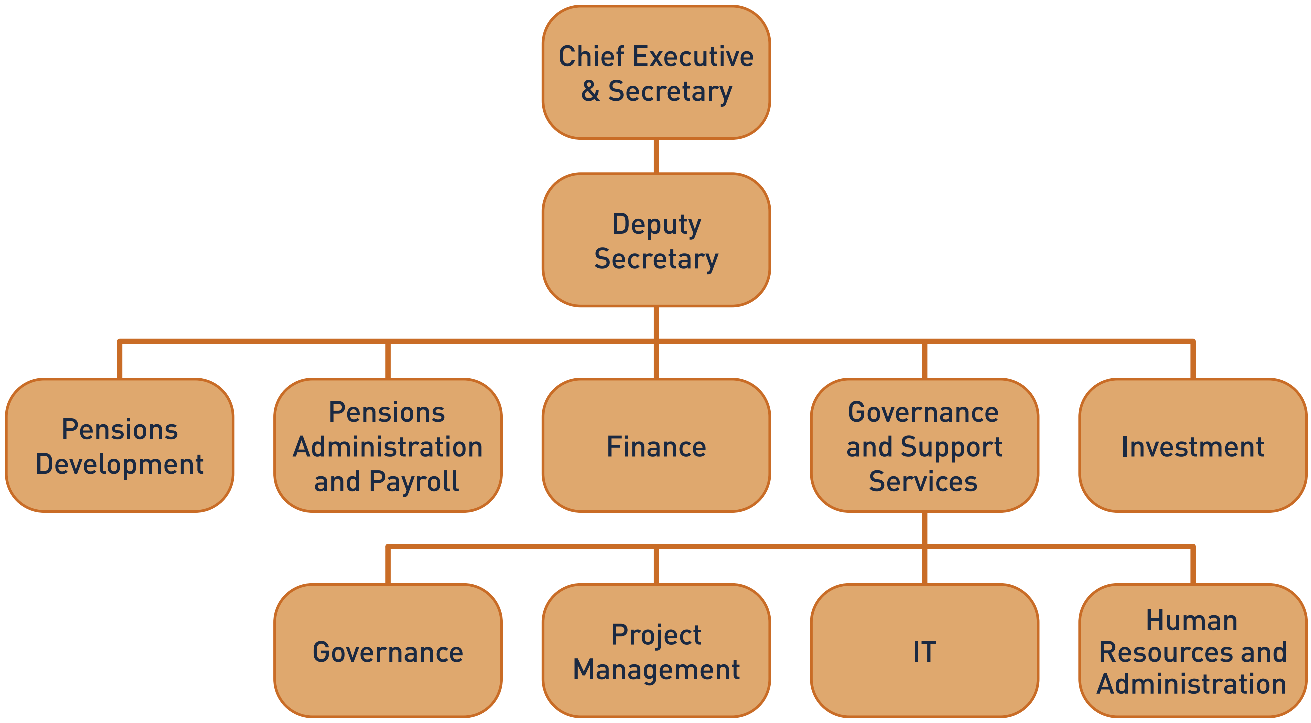
STATEMENT OF PURPOSE AND ACTIVITIES OF THE ORGANISATION

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), LGPS (NI) or the 'Scheme', and is a defined benefit scheme, which provides retirement benefits on a 'career average revalued earnings' basis from 1 April 2015. Prior to that date benefits were built up on a 'final salary' basis. NILGOSC is the administrator of the Scheme.

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

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

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



NILGOSC is a Non-Departmental Public Body but receives no funding from central government. It seeks to maximise income and minimise expenditure.

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

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

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

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

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

Under the 6 corporate aims sit a number of business objectives and operational actions, each of which has its own performance indicator against which success can be measured. Detailed performance analysis, including updates to the Corporate Plan objectives for 2020/21, is set out on pages 17 to 42.

KEY ISSUES AND RISKS

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

As a result of the 2020/21 annual risk review and in recognition of the unprecedented and rapidly evolving challenges presented by the pandemic, a COVID-19 Risk Register was created to sit alongside the Corporate Risk Register and was subject to the normal risk review and reporting process. Further information on NILGOSC's risk assurance framework is contained within the Governance Statement on pages 62 to 75.

NILGOSC provides a frontline service to its members and pensioners and prides itself on providing a high quality service to all its stakeholders. Despite the impact of the global pandemic on its business model NILGOSC achieved or substantially achieved 92% of operational actions set out in its business plan and notably 14 out of 15 of its service standards.

It is often the external environment which presents the greatest challenge for NILGOSC as policy, legislative and taxation changes, often with little or no lead-in period, can impact materially on the administration of the Scheme. In 2021, NILGOSC is awaiting legislative changes required to remove the illegal age discrimination arising from the transitional arrangements in all public service schemes, following the 2019 UK Court of Appeal ruling in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant). The Department for Communities (DfC) consulted on proposed changes to the LGPS (NI) aged based transitional protections, or 'underpin'. This consultation closed on 31 January 2021 however a formal response is not expected until later in 2021. DfC has proposed extending a revised underpin to all members who were in the Scheme on 1 April 2021 and had membership after 1 April 2015. The underpin ends on 31 March 2022.

At the same time NILGOSC awaits the outcome of the pension cost control mechanism which regulates the cost of any scheme to ensure that it remains within margins either side of an employer cost cap. This mechanism had previously been paused by the Government due to uncertainty around the out workings of the McCloud/Sargeant court decisions. Following the response to its consultation on a 'McCloud' remedy, this process has recommenced, and the Department of Finance (DoF) is currently preparing revised directions that would effectively un-pause the mechanism for devolved schemes. Provisional results for the LGPS(NI) suggest that, as a result of the McCloud remedy, costs remain within the 2% cost cap corridor and therefore no change to scheme benefits is required. The classification of the costs of the McCloud remedy as an employee cost is being challenged by the Trade Union side by way of a Judicial Review.

The anticipated changes to Scheme Regulations, be they from the cost cap mechanism or from potential wider public sector scheme reform arising from McCloud, will require major updates to all NILGOSC's systems, software and processes, to reflect any changes in benefit structure. NILGOSC's comprehensive suite of Scheme literature will require revision and republishing to reflect any changes, including the redesign of statutory communications such as pension benefit statements.

This proposed McCloud remedy will require retrospective review and recalculation for those members falling under the proposed underpin and NILGOSC has begun collecting the required data from employers in anticipation of this change to the regulations. This is an extensive exercise estimated to require review of over 30,000 records.

The anticipated actions outlined above will mean a sizeable increase in the administration budget in the implementation phase and the challenge will be compounded by the typically short lead time provided to introduce these changes. There continues to be uncertainty around the timing of the anticipated amending regulations. Where legislation is made after its effective date, NILGOSC is forced to operate within a very challenging transition window, particularly where third-party software developments are required. NILGOSC can only make payments in accordance with the prevailing regulations and therefore the potential for retrospective regulations and corresponding recalculation of benefits could create a material administration burden on NILGOSC.

The increase in the volume of retirements arising from the operation of public sector early exit schemes had dissipated by the end of 2020. However future actions by the UK Government in the wake of unprecedented economic support provided in response to the COVID-19 pandemic may place further constraints on public spending and lead to further restructuring and reform across the public sector. Whilst the timing and nature of any potential public sector constraint is unknown, NILGOSC remains alert to the potential for a significant increase in benefits administration as a result of future redundancies or early exits.

The pandemic has also resulted in changes to how NILGOSC delivers its services to members during the period of lockdown and social distancing restrictions. Throughout 2020/21 the facility for members to visit onsite remained suspended and while NILGOSC makes plans to reinstate its face-to-face service, mindful of the prevailing local social distancing guidelines, it continues to explore and promote its virtual service delivery opportunities. This includes its online member self-service facility, *My NILGOSC Pension Online*, which forms a key part of its on-going communication and self-service delivery strategy. NILGOSC monitors member usage of the self-service portal and at March 2021 over 26,000 members have registered and website activity indicates growing participation. The portal permits members to directly access and update the information NILGOSC holds on them as well as allowing members to view and project their NILGOSC pension, providing dual benefit to both NILGOSC and the member. While the primary beneficiary is the member, through timeliness and enhanced service delivery options, there are important data quality benefits if members update their own personal data on a more timely basis and potential financial and environmental savings to be made in the longer term through reduced postage and printing costs. A key challenge remains to ensure that any move to electronic delivery methods does not result in disengagement by those members with a preference for either paper or in-person communications. NILGOSC has established a reconnection programme with its less engaged members to collect individual communication preferences and to encourage greater engagement on their pension entitlements.

The payment of pensions and other benefits was classified as an essential public service, allowing NILGOSC to maintain a comprehensive service to its members and pensioners throughout 2020/21. Despite the significant operational challenges that COVID-19 and associated restrictions have placed on the organisation, there was minimal disruption to service delivery as evidenced by the service performance metrics on page 26. To accommodate workplace social distancing requirements NILGOSC has adopted a hybrid model for home and office-based working. At the outset of the pandemic, workplace risk assessments necessitated office reconfiguration and enhancement of the IT infrastructure and security to facilitate home working where possible. Increased reliance on IT infrastructure means that cyber threat management and information security remains a high priority for NILGOSC given the large volumes of personal data held. A robust control environment is essential to effectively manage information risk and NILGOSC undertakes annual vulnerability testing of its IT systems as part of its annual Business Continuity Plan to assess the continued robustness of its IT infrastructure to external attack. This year the assessor was requested to robustly test the Virtual Private Network (VPN) connections given the increase in traffic over the last 12 months. Like all public bodies, the threat of cyber-attack remains high and in March 2021 NILGOSC sought and obtained Cyber Essentials Plus accreditation as a means of further mitigating this risk. Cyber Essentials is a UK Government backed scheme which aims to help organisations protect themselves against cyber attacks.

During 2020/21 NILGOSC successfully procured a new pensions administration software system and the design services to deliver a new, accessible website which both contribute to the business objectives to reduce risk, increase efficiency, and enhance service delivery. In addition to servicing the members of the Scheme NILGOSC's other primary stakeholders are the 170+ employing authorities that contribute to the Scheme. Employer education and engagement is essential to ensuring that NILGOSC receives the high quality and timely data needed to process member pension benefits in accordance with stated service standards. During 2020/21 NILGOSC has continued to reach out to both employers and members hosting virtual pension information seminars and training sessions. Feedback on the virtual sessions has been overwhelmingly positive and NILGOSC has observed a significant increase in participation vis-à-vis that recorded historically for in-person events.

Poor data quality remains one of the key risks to the achievement of NILGOSC's corporate aims and objectives and, while current data accuracy scores remain high, the roll-out of a new data exchange will eliminate the need for the manual and time-consuming provision of member information. The planned introduction of an integrated data collection and verification system, which feeds directly into NILGOSC's pension administration system, will make a significant difference to all, and once operational will negate the need for what is a resource intensive annual return and reconciliation exercise. The reduction in manual intervention is also expected to yield significant benefits from a data accuracy and information security perspective, as all data will be remitted on a monthly basis directly from employers' payroll systems to NILGOSC by way of a secure portal.

Over recent years public sector financial constraint has created uncertainty for many scheme employers over future funding streams and the ongoing ability to meet pension liabilities as they fall due. There were no employers entering insolvency in 2020/21 and the annual covenant strength assessment highlighted no concerns with respect to possible future defaults, noting however that this assessment was carried out prior to 2021/22 budget settlements and with a range of government support structures in place. There is a risk that the short to medium term impact of COVID-19 measures on the Scheme's employers, even those larger employers with revenue generating powers such as councils, could present challenges to employers in meeting their short and long-term obligations. NILGOSC will undertake a full employer covenant exercise in autumn 2021 as part of the 2022 actuarial valuation exercise and will work with its employers and the Department for Communities during this period of uncertainty, to manage any potential increase in employer default and any such impact on the Scheme funding level.

In respect of the General Data Protection Regulation (GDPR) and the UK Data Protection Act 2018, NILGOSC systems and processes are continually reviewed and staff trained to ensure compliance with these legislative requirements. Data accuracy and management continues to be a high priority in the 2020/21 business plan, particularly given the drive towards electronic delivery methods. The impact of COVID-19 on NILGOSC operations has delayed work on the project to roll-out an organisation wide electronic document management system however a successful pilot of the solution has been delivered and in 2021/22 work continues on phase I of this project which will help to enhance the management and mitigation of information risks.

NILGOSC participates in the National Fraud Initiative's (NFI) biennial data matching exercises for the purposes of assisting in the prevention and detection of fraud and took part in the NFI 2020/21 data matching exercise during the year. Data was received in January 2021 and significant progress has been made in investigating and resolving these matches. No cases of actual or suspected fraud have been identified through the exercise to date. An update in relation to the NFI exercise is provided in the Performance Report on page 24.

The focus on long term Scheme sustainability and the achievement of steady long term returns from a suitably diversified investment portfolio is an important part of NILGOSC's on-going risk management process. In addressing its strategic theme of long-term Scheme sustainability, NILGOSC commenced its triennial review of its investment strategy in 2020/21 at the same time closing out on the actions arising from the 2017 Investment Strategy Review, which delivered a rebalancing of the portfolio away from more volatile equity investments. The last major operational action from this review concluded in May

2021 with the funding of a new emerging markets equity mandate. The Fund has recovered from the major market interruption in March 2020 and in 2020/21 asset returns have exceeded the assumption of 4.1% used in the 2019 actuarial valuation. These strong asset returns have somewhat mitigated the falls in gilt yields which have led to a decrease in the discount rates used in valuation calculations. The expected asset returns and basis for setting assumptions such as discount rates will be reviewed with the Scheme's Actuary in the latter part of 2021 in advance of the next triennial valuation in March 2022.

While the markets have recovered strongly from the March 2020 falls there continues to be challenges for elements of the Fund's diversified portfolio, particularly some of its UK commercial property assets. Government restrictions and lockdowns have severely impacted the already struggling retail sector and long-term changes in societal norms have put pressure on office property values. The Fund's property manager continues to seek value from investments in the industrial property sector which posted impressive returns of upwards of 10+% in 2021, boosted by heightened demand for logistics during the pandemic, a trend which is expected to continue. As is the case across NILGOSC's global investment portfolio, sectoral investment risk continues to be mitigated by the diverse and long-term nature of NILGOSC's investment portfolio.

While the outcome of the 2021 Investment Strategy Review will not be known until much later in the calendar year, it is anticipated that NILGOSC's existing, well diversified portfolio will continue to meet the strategic aim of delivering an effective investment strategy in line with the actuarial profile of the Fund. Information on the Fund's investment returns in the period are set out in detail in the NILGOSC Investment Performance section of the Performance Report starting on page 53.

SUMMARY OF PERFORMANCE

The following section summarises NILGOSC's performance from both a Scheme Administration and Investment perspective. A detailed analysis of performance across both the administration and investment functions can be found on pages 20 to 59 in the Performance Analysis section of the Annual Report.

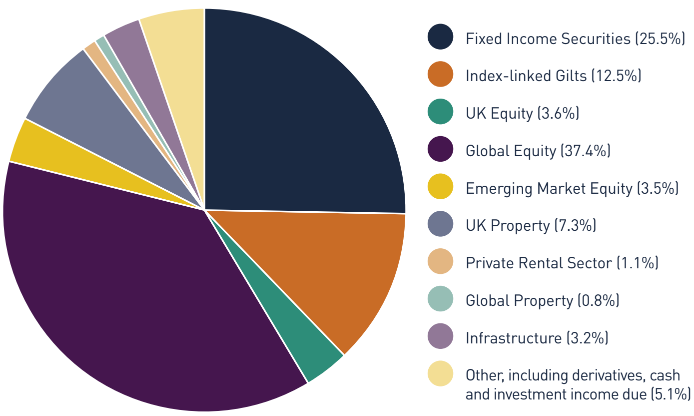
Administration of the Scheme

- Membership of the Scheme continued to grow during the year with 142,492 (+2.5%) contributing members, pensioners and deferred pensioners at 31 March 2021.
- At 31 March 2021 there were 172 bodies contributing to the Scheme with no employers leaving and one new employer joining with a backdated admission date of 1 January 2019.
- Following the last actuarial valuation as at 31 March 2019, employer contribution rates were set at 19.5% for the three years commencing April 2020 for those employers whose participation in the Scheme is deemed to be indefinite and/or where an adequate covenant is in place.
- The Pension Increase (Review) Order (Northern Ireland) 2020 increased pensions which had been in payment for more than a year (commenced before 9 April 2019) by 1.7%. A proportionate increase applied to any pensions beginning on or after 22 April 2019 but before 22 March 2020.
- Despite the challenges created by the pandemic and workplace restrictions, NILGOSC continued to provide a comprehensive service to stakeholders and met or exceeded 14 out of its 15 service standards as set out on page 26.
- A stakeholder satisfaction survey was undertaken in March 2021 to measure the satisfaction levels of Scheme members, pensioners and employers. The total satisfaction rating for the year was 90% (2019/20 91%).
- Utilisation of *My NILGOSC Pension Online*, the member self-service facility, has continued to grow with over 26,000 members registered at 31 March 2021. Pension benefit statements were delivered to deferred members electronically for the first time in 2021.
- NILGOSC achieved, substantially achieved or was on target to achieve 83 out of the 91 operational actions included in its 2020/21 Corporate Plan. This equates to an achievement rate of 92% (2019/20 90%).
- During the year ended 31 March 2021 NILGOSC received a total of 34 ill-health retirement appeals, 12 formal complaints and 18 informal complaints, a total of 64 appeals/complaints (2019/20 61).

Investment of the Fund

- Despite major disruption in global markets due to the pandemic in early 2020, the Fund rebounded strongly in 2020/21 ending the year at £9.795bn, equating to an increase in value in absolute terms of £1.917bn or 24.3%. Equity markets in particular performed strongly, and unprecedented fiscal and monetary stimulus has maintained positive investor sentiment despite the sharpest recession in generations.

Fund Asset Allocation at 31 March 2021



- The Fund outperformed its performance objective by 4.02% and 4.97% on a three and five year basis respectively for the period ended 31 March 2021, largely on the back of strong global equity returns.
- The comparable statistics for the three and five year periods to 31 March 2021 on an annualised basis are set out in the following table:

CPI + 3.5%	4.89%	5.87%

- Non-UK equities markets posted strong returns during the year, ranging from 40% to 59% (in local currency terms), while in contrast, UK equities underperformed its developed market peers with a return of 20%. Bond markets were particularly volatile during the year impacted by debate about the shape of global recovery, further stimulus, fears of additional waves of pandemic and vaccine progression. UK corporate bonds posted returns of 7% with more muted returns from other fixed income classes. The pandemic also weighed heavily on global real estate with UK property returning 2.6% for the year.
- NILGOSC completed the final steps arising from the 2017 Investment Strategy Review with the funding of its Global property mandate and the appointment of a new Emerging Market Equity Manager. A total of £78m of the £240m allocation to global property was advanced during the financial period.
- Following the implementation of the revised strategy, a rebalancing exercise was undertaken to bring the asset allocation in line with strategic targets. This resulted in a transfer of £260m from global equities to the Absolute Return Bond and Multi-asset Credit managers before 31 March 2021.
- NILGOSC has continued to implement its portfolio diversification plan through the build-up of its infrastructure portfolio. During 2020/21 further funds were drawn in respect of existing infrastructure commitments and new allocations were approved for existing infrastructure commitments and new allocations were approved for a European renewables fund and a mid-cap infrastructure fund.
- Performance of individual fund managers continues to be monitored closely against a range of quantitative and qualitative performance metrics. All but one of the equities and fixed income managers met their performance target for the year.
- Being a responsible owner remains a top priority and NILGOSC voted in 224 investee company AGMs and other corporate meetings during 2020/21. The main areas of dissent continue to be executive remuneration practices, board composition or where significant Environmental, Social and Governance (ESG) failings are identified.
- NILGOSC took part in a number of climate risk mitigation activities in 2020/21, including becoming a public supporter of TCFD (Task Force on Climate related Financial Disclosures), a global initiative to improve the disclosure of climate related information.
- In January 2021, NILGOSC renewed its commitment to CDP (formerly the Carbon Disclosure Project) signing up to its Climate Change, Forests and Water programmes and in the same month NILGOSC joined with the PRI and other UK asset owners, to write to the UK Government calling for continued climate ambition in advance of COP26, including progress on land use challenges, energy efficiency and smoothing the transition to zero-emissions vehicles.

Performance Report
PERFORMANCE ANALYSIS

SUMMARY

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

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

The key measures of performance for the administration of the pension scheme are:

- performance standards, which set a performance target for each of NILGOSC's key pension administration activities;
- progress in relation to the Corporate Plan objectives;
- the annual Stakeholder Satisfaction survey; and
- the cost per member to administer the Scheme.

In addition, NILGOSC monitors the level of complaints received and the nature of these complaints.

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

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

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

NILGOSC has a system of internal control that is based on an ongoing process designed to identify and prioritise the risks to the achievements of the Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. A full description of NILGOSC's risk management process is provided in the Governance Statement on pages 62 - 75. Key Performance Indicators are set annually as part of the business plan cycle which formulates the Risk Register, the business plan and the budget for the year ahead.

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

ADMINISTRATION OF THE PENSION SCHEME

Scheme Benefits and Contributions

From 1 April 2015, a member builds up retirement pension under the career average revalued earnings (CARE) Scheme at the rate of 1/49th pensionable pay for each year. Prior to that date the Scheme was a final salary scheme. Pension benefits in relation to membership between 1 April 2009 and 31 March 2015 were built up at the rate of 1/60th pensionable pay for each year of membership. There is no automatic lump sum provided in respect of membership after 31 March 2009. Pension benefits in relation to any membership before 1 April 2009 were built up at the rate of 1/80th (pension) and 3/80ths (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. Tiered employee contribution rates, determined by the whole-time equivalent rate of pay, were introduced from 1 April 2009. From 1 April 2015, employee contribution rates are determined on the actual rate of pay and not the whole-time equivalent rate of pay.

The ranges for the bands for tiered contribution rates are revised by the Department for Communities in April each year in accordance with the pensions increase. The Pensions (Increase) Act (Northern Ireland) 1971 applies the rate of inflation (as measured by the Consumer Price Index (CPI)) for the preceding September. The CPI figure for September 2019 was 1.7% and this was applied to the actual pensionable pay ranges for 2020/21. The rates effective from 1 April 2020 were as follows:

Actual Pensionable Pay Range	Employee Contribution Rate
£0 - £15,000	5.5%
£15,001 - £22,900	5.8%
£22,901 - £38,300	6.5%
£38,301 - £46,400	6.8%
£46,401 - £91,900	8.5%
More than £91,900	10.5%

Employers' contribution rates are determined by the Scheme's Actuary every three years. The last valuation took place as at 31 March 2019 and set the employers' contribution rates for the period from 1 April 2020 to 31 March 2023. For those employers whose participation in the Scheme is deemed to be indefinite and/or where an adequate covenant is in place, NILGOSC has agreed with its Actuary employer contribution rates of 19.5% for the three years commencing 1 April 2020.

Year	Employer Contribution Rate
1 April 2020 – 31 March 2021	19.5%
1 April 2021 – 31 March 2022	19.5%
1 April 2022 – 31 March 2023	19.5%

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.

Scheme Status and Regulations

The Scheme is a statutory public service pension scheme as defined by the Pension Schemes Act (Northern Ireland) 1993. All the rules of the Scheme and the powers of NILGOSC are set out in legislation.

The Public Service Pensions Act (NI) 2014 set out a common framework for all the public service pension schemes in Northern Ireland from 1 April 2015. The Act provides that the Department for Communities is the responsible authority with the power to make regulations, with the consent of the Department of Finance, for a Scheme for the payment of pensions and other benefits to or in respect of local government workers. Prior to the 2014 Act, the Department's power to make regulations was set out in the Superannuation (NI) Order 1972.

The principal regulations relating to the 2020/21 financial year are contained in the following sets of regulations, as amended:

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

The Scheme is also governed by:

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

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

New Regulations

The Local Government Pension Scheme (Amendment) Regulations (Northern Ireland) 2020 (SRNI 2020 No. 77)

These amending regulations were made on 5 May 2020 and came into operation on 31 May 2020. The regulations introduced a small number of minor amendments mainly to correct drafting errors within the principal regulations. In addition, the regulations provided clarification that the calculation for survivor benefits of pensioner members was included any ill-health enhancement.

Scheme Membership

The number of active, deferred and pensioner members of the Scheme continued to grow during 2020/21 and there was one retrospective admission of a new employing authority.

Members

Membership of the Scheme increased during the year to 142,492 members. At 31 March 2021, the Scheme consisted of 70,881 contributing members, 39,913 pensioners and 31,698 deferred members.

Employing Authorities

At 31 March 2021, there were 172 employing authorities contributing to the Scheme. These employing authorities were composed of 11 councils, 1 Education Authority, 1 Library Authority, 48 associated bodies, 89 schools, 9 further and higher education colleges and universities and 13 employers with restricted membership (closed to new members). A full list of these organisations can be found on pages 140 to 142.

OCS Group UK Limited was admitted to the Scheme with a retrospective commencement date of 1 January 2019.

Revaluation of CARE Benefits

The Public Service Pensions Revaluation Order (Northern Ireland) 2020 makes legislative provision for the revaluation of active contributing members' benefits for those CARE schemes which use the change in prices (the LGPS (NI)) or change in earnings as the measure for revaluation. An increase of 1.7% was applied on 1 April 2020 in relation to CARE benefits built up as at 31 March 2020.

The Public Service Pensions Revaluation Order (Northern Ireland) 2021 confirmed an increase of 0.5% was to be applied on 1 April 2021 to CARE benefits built up to 31 March 2021.

Pensions Increase

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

The Pensions Increase (Review) Order (Northern Ireland) 2020, operational from 6 April 2020, increased pensions which had been in payment for more than a year (commenced before 8 April 2019) by 1.7%. A proportionate increase applied to any pensions beginning on or after 22 April 2019 but before 22 March 2020.

The Guaranteed Minimum Pensions Increase Order (Northern Ireland) 2020 increased GMPs by 1.7% from 6 April 2020.

Cost Cap Mechanism

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

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

Following consultation with member representatives, the Department of Finance will publish revised valuation directions which will enable the 2016 valuation to be completed and the final cost cap results to be determined.

McCloud Judgment

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

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

In July 2019, the UK Government confirmed that, as transitional protection was offered to members of all the main public service pension schemes, the government intends to address the difference in treatment across all schemes. The reformed public service schemes in Northern Ireland, including the LGPS(NI), incorporate similar aged-based transitional protections.

The Department for Communities ran a consultation from 11 November 2020 to 31 January 2021 consulting on proposals to

(i) remove discrimination in the LGPS(NI) for the future; and

(ii) remedy the effect of any discrimination scheme members may have accrued since April 2015.

The proposed approach is to extend the underpin arrangement to all members who were active in the 2009 Scheme on 31 March 2012 and have accrued benefits under the 2015 Scheme without a disqualifying break in service (five or more years), subject to aggregation requirements. The underpin will cover the period between 1 April 2015 and 31 March 2022, known as the remedy period. These proposals have been developed in conjunction with the Collective Consultation Working Group, which is the recognised forum for consultation on pension policy for devolved schemes and where both public service employers and employees are represented, and with the LGPS(NI) Scheme Advisory Board. Any subsequent changes to the LGPS(NI) will be subject to further scheme level consultation.

Indexation and Equalisation of Guaranteed Minimum Pensions (GMP)

The Government consulted between 28 November 2016 and 20 February 2017 on how GMP indexation and equalisation should be applied to public service pension schemes from 6 December 2018. An interim solution applied for the period from 6 April 2016 to 5 December 2018 (subsequently extending to 5 April 2021) where public service pension schemes were to pay full indexation for members reaching state pension age between those dates i.e. no increase in respect of the GMP is paid along with the member's state pension.

In March 2021, HMT published its response confirming that the Government had decided to make the interim solution the permanent solution for indexation in the public service pension schemes. The Department of Finance published a direction on 1 April 2021 giving this effect. This means that the LGPS (NI) will be responsible for fully uprating the GMP pensions in line with the Consumer Price Index for all members who have a GMP element to their pension and reach their state pension age on or after 5 April 2016.

Equalisation of GMPs for public service pension schemes is still under review.

Proposed Increase in Normal Minimum Pension Age

On 11 February 2021 HMT published a consultation proposing an increase to the normal minimum pension age from 6 April 2028. The consultation sought views on the implementation of the increase from age 55 to age 57 and protections for scheme members who may have had a right under the scheme to take benefits before age 57. The consultation closed on 22 April 2021.

Pensions Dashboard

In 2016 the Financial Conduct Authority (FCA) recommended that pensions dashboards should be available to individuals to enable them to engage more easily with their pensions. The Government was supportive of this initiative and since then has consulted on the issues and options for delivering this service. In April 2019 it decided that it would legislate to make pension schemes provide data and that the Money and Pensions Service (MaPS) would be responsible for working with the pensions industry to deliver the dashboard service. MaPS established the Pensions Dashboards Programme to design and implement the infrastructure for the pension dashboards. The vision of the Pensions Dashboards Programme is 'to enable individuals to access their pensions information online, securely and all in one place, thereby supporting better planning for retirement and growing financial wellbeing'. The delivery of the programme has been broken into six phases with the intention that from 2023 (phase 4) pension schemes will begin to provide data for the dashboards. NILGOSC is supportive of the Pensions Dashboards project and has been responding to Calls for Input and reviewing the information that may potentially be required.

National Fraud Initiative

NILGOSC participates in the biennial National Fraud Initiative (NFI) run by the Northern Ireland Audit Office, which has statutory powers to conduct data matching exercises for the purpose of assisting in the prevention and detection of fraud. NILGOSC participated in the NFI 2020/21 data matching exercise in November 2020 and matches were released in January 2021.

In total, 556 data matches were released across nine reports. Of the 556 matches, 487 were investigated as potential pensioner overpayments. Ten of these totalling £26.1k were confirmed as overpayments and the rest were closed with no further action. Of these ten overpayments, two cases have been repaid in full and recovery of the other eight overpayments totalling £20.1k is being pursued.

No cases of proven or suspected fraud have been identified through the 2020/21 data matching exercise.

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

The next NFI matching exercise for 2022/23 is expected to commence in October 2022.

Equality, Social Matters and Human Rights

NILGOSC has a commitment to the fulfilment of its duties under Section 75 of the Northern Ireland Act 1998 and NILGOSC's Equality Scheme states that it will report on the progress it has made in the delivery of its Section 75 statutory duties. NILGOSC's Annual Equality Statement is set out on pages 134 to 135 of this report. NILGOSC's commitment to the promotion of equality of opportunity and diversity within its workforce is reflected across all of its staff policies.

As a global investor NILGOSC can influence social factors including human rights through its responsible investment activities. NILGOSC has developed a Statement of Responsible Investment which sets out its practices in this regard. Further information in respect of NILGOSC's responsible investment activities can be found within the Investment of the Fund section of this Performance Analysis, starting on page 56.

Anti-Bribery and Anti-Corruption Matters

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

https://nilgosc.org.uk/document-category/scheme-governance/page/2/

Environmental Matters and Sustainability Targets

NILGOSC's Statement of Investment Principles acknowledges that environmental, social and corporate governance (ESG) issues can affect the financial performance of investment portfolios and states that it will take such matters into consideration as part of the investment process. As a responsible investor, NILGOSC exercises its ownership rights and uses its vote to inform companies of the corporate behaviour it expects to see. Of all the ESG risks facing investors, climate change has arguably the greatest potential for widespread impact across individual corporations, sectors, asset classes and economies and NILGOSC updated its Climate Risk Statement in November 2019. This statement sets out the framework in which climate risk is taken into account across the range of assets in which NILGOSC invests and confirms its support for the aims of the Paris Agreement, which seeks to limit global temperature rise to 2°C degrees or below. In June 2020, NILGOSC become an official supporter of the Task Force on Climate-related Financial Disclosures, a public statement on its desire to see improved climate related information being made available. Further details in respect of ESG issues and climate risk actions taken by NILGOSC during the year are provided within 'Responsible Investment' paragraph in the Investment of the Fund section of this Performance Analysis Report.

NILGOSC is exempt from the targets within the Greening Government Commitments, however NILGOSC gives due consideration for sustainability factors in its procurement exercises where appropriate.

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

Publications

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

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

The Scheme rules are available from the TSO shop at http://www.tsoshop.co.uk/. The Regulations are also available online at www.legislation.gov.uk

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

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

Performance Standards

In May 1997, the Management Committee approved service standards for key NILGOSC activities and set a performance target for each service standard. The service standards are reviewed annually, and performance against the targets is monitored by the Committee. In April 2021, the internal auditor, ASM, tested NILGOSC's service standards reporting system and performance outturn as part of its annual validations review.

Despite the global pandemic the 2020/21 year was a success from a service delivery perspective with all but one of the 15 service standards met or exceeded. NILGOSC was unable to issue 0.05% of its active membership with an annual benefit statement as a result of the absence of information essential to the production of the statement e.g. member address or pensionable pay details. In addition, a small number of members commenced their employment too late in the financial year to make the final payroll for 2020/21 and therefore had no pay details recorded.

Whilst NILGOSC was forced to suspend in-person member visits as a result of COVID-19 restrictions, member service and uninterrupted payment of benefits remained a priority. Alternative contact and document delivery arrangements were put in place at the outset of the pandemic which permitted member services to continue throughout.

The following table provides a summary of performance against the service standards during 2020/2021:

Task	Service Delivery Standard	Target Performance %	2020/21 Actual Performance %
Lump sum retirement payments	Within 10 days	90%	98%
Death grant payments	Within 10 days	90%	98%
Leaver options notifications	Within 20 days	90%	97%
Refund payments	Within 10 days	95%	99%
Transfer out quotations	Within 20 days	90%	98%
Transfer out payments	Within 10 days	90%	93%
Transfer in quotations	Within 10 days	90%	98%
Transfer in confirmations	Within 20 days	90%	98%
New entrant certificates	Within 20 days	95%	98%
Correspondence	Within 10 days	95%	98%
Benefit quotation requests	Within 10 days	90%	98%
Issue members' annual report	By 30 November	100%	100%
Issue members' annual benefit statements	Within 5 months of year end, unless relevant data unavailable	100%	97%
Pensions paid each month	Last banking day of month	100%	100%
P60s issued to all pensioners	By 31 May	100%	100%

Service Delivery Enhancements

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

Over the past 18 months, NILGOSC has continued to promote the functionality offered by *My NILGOSC*

Pension Online as a means of enhanced service delivery and the empowerment of members to manage their pension directly. During 2020/21, NILGOSC took the next step in this programme and moved the default delivery setting for deferred members to electronic, subject to individual member preference. As a result, Scheme communications to deferred members, including annual benefit statements, were issued online via *My NILGOSC Pension Online* unless postal communications had been specifically requested. The next stage will focus on active members and will include the 2020/21 annual benefits statements being issued electronically, subject to individual preference.

In addition, to secure the member self-service facility, NILGOSC makes available a wide range of information through its public website www.nilgosc.org.uk. In March 2021 NILGOSC launched its new public website, which offers improved accessibility, navigation and search facilities.

Communication and member engagement remains a strategic priority for NILGOSC and it continues to monitor member satisfaction and behaviour. At March 2021 over 26,000 members had registered for *My NILGOSC Pension Online* and this, together with public website activity indicates a clear demand for information being available online. In the 2021 satisfaction survey, members gave a satisfaction rating of 94% for *My NILGOSC Pension Online* when asked to consider factors such as ease of registration, quality and accuracy of information provided, look and layout of website and ease of navigation.

NILGOSC prides itself on offering a high quality, individual service to its members for over 70 years and is keen to maintain its reputation despite a forced move towards virtual service delivery in 2020/21. Whilst there are undoubtedly benefits to members to be able to access their pension information electronically at a time of their desire, NILGOSC also recognises that many members value personal interaction and paper communications. Prior to any change, NILGOSC has written to members seeking their individual communication preferences. As a next step, NILGOSC is launching a reconnection programme in 2021/22 which is designed to reconnect with those members who are less engaged with their pension scheme.

In August 2020, NILGOSC began the process of redesigning its website. The aim of this redesign was to modernise the look and feel combined with better navigation and search facilities. The new website was officially launched on 23 March 2021. In the month since launch the website has had nearly 6,000 unique visitors, 9,000 individual sessions and 32,000 page views.

Satisfaction Survey

A Stakeholder Satisfaction Survey for the year 2020/21 was carried out in March 2021. Surveys were drawn up for members, deferred members and pensioners, relevant to the service they receive from NILGOSC. Approximately 3,000 surveys were sent to the three member groups, and the response rate averaged at 16%. In addition, online surveys were also sent to all 171 employing authorities. A total of 32 employers responded to the survey, a response rate of just under 19%.

The surveys focused on three main areas:

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

Satisfaction levels, which are measured with respect to the percentage of good or excellent ratings given, ranged from 81% for deferred members, 85% for active member and 97% for pensioners. 96% of employers indicated a satisfaction rating of good or excellent. The aggregate satisfaction rate across all stakeholder groups was 90%.

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. 91% of member respondents and 97% of employers rated NILGOSC communications as being good or excellent.

Customer Service

The survey examined a range of areas relating to customer service for members. Overall customer service received a good or excellent rating from members and employers of 87% and 98% respectively.

***My NILGOSC Pension Online* and the NILGOSC website**

My NILGOSC Pension Online is a self-service facility that allows members to access their pension details securely and update their information. They can check the value of their pension benefits, update personal details and estimate the value of their pension upon retirement. Elements of *My NILGOSC Pension Online* ranked included ease of registration, quality and accuracy of information provided, look and layout of website and ease of use. 94% of respondents rated these categories as good or excellent.

All respondents were asked to rate the look, usefulness, and quality of content on the NILGOSC website. Satisfaction across all stakeholder groups was high with 96% of respondents rating the NILGOSC website as good or excellent.

Cost per Member

The following table below shows administration expenses per Scheme Member, together with the ratio of members to staff. In the year ended 31 March 2021, the cost per member adjusted for inflation has decreased from the previous year. After adjustment the administration expenses have remained consistent with the prior period but the net uplift in total membership has reduced the cost per member for 2020/21.

Year ended 31 March	Total Members	Number of Staff	Members/ Staff	Admin Expenses £'000	Cost/ Member £	Inflation adjusted cost £
2012	92,761	49	1,893	2,357	25.40	29.03
2013	95,382	50	1,908	2,892	30.32	33.78
2014	103,382	53	1,951	3,112	30.10	33.01
2015	109,462	58	1,887	3,267	29.85	32.73
2016	114,026	64	1,782	3,803	33.35	36.39
2017	118,794	78	1,523	4,348	36.60	39.04*
2018	122,587	84	1,459	4,393	35.84	37.29*
2019	129,947	82	1,585	4,699	36.16	36.96*
2020	139,048	77	1,806	4,643	33.39	33.62**
2021	142,492	79	1,804	4,676	32.81	32.81**

* Between 2017 – 2019 adjustments to the administration expenses totals have been made (2018/19 £846k; 2017/18 £281k; 2016/17 £1,933k) for the purposes of the cost per member calculation. These adjustments reflect the amount of the total movement in employing authority bad debt provision in 2018/19 and 2017/18. For 2016/17, the adjustment figure also includes the bad debt write off in relation to employing authority debt which, like the provision, is not a member related cost but is attributed to the employing authorities in the Scheme through the triennial valuation.

** The total administration expenses in 2019/20 and 2020/21 have been reduced by £625k and £386k respectively, that being an IAS 19 adjustment to current service pension costs as these adjustments are sufficiently material to impact the cost per member calculation and not a member related cost.

Decisions, Reviews and Complaints

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

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

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

NILGOSC operates a two-stage process for Reviews and Complaints. At stage I, 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 upon request from the Pensions Administration team.

The person appointed to consider a stage I 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 I review, they may ask the Committee to undertake a stage II review. Any request for a stage II review must be sent to the Services Manager within six months of the date of the Secretary's stage I review decision.

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

NILGOSC received a total of 34 ill-health retirement benefit appeals (30 at stage I and 4 at stage II), 12 formal complaints (8 at stage I and 4 at stage II), and 18 informal complaints during 2020/21, a total of 64 appeals/complaints.

Of the three formal complaints heard by the Committee during the 2020/21 year, one was upheld and two not upheld. Three of the four complaints received had progressed quickly through the complaints process and had moved from stage I to stage II within the same year.

The 34 ill-health retirement appeals consisted of 30 stage I appeals and 4 stage II reviews. At stage I, 13 appeals were upheld, and the initial ill-health decisions were overturned, 11 appeals were not upheld, and the initial ill-health decisions remained unchanged, and 6 remain outstanding. Of the 30 stage I ill-health retirement benefit appeals, 4 progressed to stage II reviews within the same year.

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 2020/21

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 2021/22 – 2022/23 Corporate Plan can be downloaded from the NILGOSC website at www.nilgosc.org.uk. As can be seen from the following table, a significant proportion of the 2020/21 Corporate Plan was completed or on target at 31 March 2021.

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

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2021	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	471,030 pensioners paid 100% paid by last banking day of the month	**Achieved**
	1.1.2 To pay pension lump sums promptly and accurately	Within 10 working days of the receipt of the relevant details	2,302 pension lump sums paid 98% within target Average time taken 6 days	**Achieved**
	1.1.3 To pay refunds of contributions promptly and accurately	Within 10 working days of receiving a valid application	2,188 refunds paid 99% within target Average time taken 3 days	**Achieved**
	1.1.4 To pay transfer payments promptly and accurately	Pay the cash equivalent within 10 working days of receipt of required information	106 transfer outs paid 93% within target Average time taken 5 days	**Achieved**
1.2 To credit pension contributions, transfers and other employer liabilities received promptly and accurately	1.2.1 To collect monthly contributions and invest in scheme fund promptly	Within 10 working days of following month	Despite the impact of COVID-19 restrictions on employers' operations, minimal number of late contribution payments during 2020/21. All records up-to-date and credit control policy applied as required.	**Achieved**
	1.2.2 To update member records on receipt of annual returns from employers	For 100% of employers by 31 July	All 176 returns posted by the deadline	**Achieved**
	1.2.3 To credit pension account on receipt of transfers into the scheme promptly	Provide confirmation within 20 working days of receiving the transfer payment	217 transfer in confirmations provided 98% within target Average time taken 3 days	**Achieved**
	1.2.4 To obtain and advise employers of actuarial costs and agree payment schedule promptly	Within 20 working days of receipt of information	Any requests dealt with inside timescales	**Achieved**
1.3 To provide members with information needed to make pension decisions promptly	1.3.1 To respond to member queries	Within 10 working days	5,300 items of correspondence 98% within target Average time taken 2 days	**Achieved**
	1.3.2 To provide members leaving the scheme with option choices	Provide a statement of benefit options within 20 working days of notification	2,317 early leaver notifications provided 97% within target Average time taken 8 days	**Achieved**
	1.3.3 To provide members with benefit quotations on request	Benefit quotations issued within 10 working days	3,211 quotations provided 98% within target Average time taken 4 days	**Achieved**

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2021	Status
1.3 To provide members with information needed to make pension decisions promptly	1.3.4 To provide members and deferred members with benefit statements	Benefit statements issued within 5 months of year end	Deferred benefit statements were issued online at the beginning of June 2020 to 92.2% of members. Active member statements were issued in August to 99.5% of members. Overall, 92,701 statements, representing 97.2% of members, were issued before the statutory deadline.	**Substantially Achieved**
	1.3.5 To provide members with annual allowance statements as applicable	Statements issued by 6 October	Annual allowance pension savings statements were issued to 132 members ahead of 6 October. Two statements missed the deadline.	**Substantially Achieved**
	1.3.6 To provide an estimate of a CETV	Within 20 working days of receipt of relevant details	583 transfer out quotations provided 98% within target Average time taken 5 days	**Achieved**
1.4 To pay death benefits promptly and accurately	1.4.1 To notify dependants of pensions payable	Within 10 working days of receipt of the relevant proof of title	113 dependants paid 97% within target Average time taken 3 days	**Achieved**
	1.4.2 To pay death grants promptly	Within 10 working days of receipt of relevant proof of title	1,194 death grants paid 98% within target Average time taken 2 days	**Achieved**
1.5 To ensure that all necessary action is taken on any change to scheme rules	1.5.1 Ensure that processes change to reflect regulation changes	Complete changes within 3 months of regulations made	Amending regulations came into effect on 31 May 2020. These were minor amendments and required no process changes.	**Achieved**
	1.5.2 To train relevant staff on any regulation changes	Relevant staff trained on new regulations within 3 months of regulations made	Staff were advised within timescales of the new regulations and that these did not impact on current practice.	**Achieved**
	1.5.3 To have administration systems updated for any new or amended regulations	To have administration systems in place within 3 months of regulations made	No updates to the administration systems were required.	**Achieved**
	1.5.4 To update processes to reflect scheme changes arising from cost cap breach	Processes updated within 6 months of regulations made	No regulations made	**On Target**

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2021	Status
1.5 To ensure that all necessary action is taken on any change to scheme rules	1.5.5 To train staff on scheme changes arising from McCloud/ cost cap breach	Staff trained on new regulations within 3 months of regulations made	No regulations made	**On Target**
	1.5.6 To update administration systems for scheme changes arising from cost cap breach	To have pension software updated within 6 months of regulations made	Software enhancement was delivered in March 2021 to allow interfacing of incoming data relating to historic hours and service breaks. Further software development will be required once regulations are available.	**On Target**
	1.5.7 To implement benefit changes and record amendments arising from McCloud/ cost cap legislation	To complete necessary changes in line with agreed implementation plan	Participation in the Scheme Advisory Board (SAB) data collection group for McCloud. Data collection templates issued to employers in January/ February 2021.	**On Target**
1.6 To ensure that systems and procedures comply with relevant legislation	1.6.1 To respond to Data Protection and Freedom of Information (FOI) requests	Within 1 month (GDPR) or 20 days (FOI) of request	27 SARs received and responded to within timescales. 18 FOI requests received and responded to within timescales. One SAR 'live' at 31 March 2021.	**Achieved**
	1.6.2 To implement the Retention and Disposal Schedule	To complete implementation for electronic records by March 2021	The electronic disposal of records is pending implementation of an EDRMS. Alpha and Discovery stages of project concluded during 2020/21.	**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	Total of 498.5 hours of training completed in year 2020/21. This was below average due to the ongoing impact of COVID-19.	**Achieved**
	1.7.2 To utilise e-learning packages for mandatory corporate training, where appropriate	All staff have successfully completed e-learning modules issued	11 new members of staff and 9 Committee members successfully completed e-learning modules on Diversity and Inclusion and Data Protection in year 2020/21. All NILGOSC staff have also completed annual refresher training on Data Protection.	**Achieved**
	1.7.3 To undertake a review of the staff structure and capacity	Review completed by 31 March 2023	Not due in current reporting period	**On Target**

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2021	Status
1.7 To ensure NILGOSC attracts and retains well trained personnel	1.7.4 To monitor staff retention and address any issues identified	Staff turnover level maintained below 20%	Staff turnover for the year is 12%	**Achieved**
	1.7.5 To undertake a biennial staff satisfaction survey and address any issues identified	Staff survey completed by 31 March 2021	Survey undertaken in February 2021	**Achieved**
	1.7.6 To launch a staff wellbeing programme	Wellbeing programme rolled out by 31 March 2021	Physical activities planned for the wellbeing year could not take place due to the business impact of COVID-19. The programme was launched virtually in April 2020.	**Achieved**
1.8 To ensure that the office environment meets the growing needs of stakeholders and staff	1.8.1 To maintain and improve office facilities to meet the ongoing needs of stakeholders and staff	Phase 3 completed by 31 March 2021 Full office refurbishment completed by 31 March 2022	Social distancing restrictions have required repurposing of existing office space. Refurbishment plans have been put on hold, pending further clarity on a post-pandemic office working environment.	**Not Achieved**
1.9 To maintain accurate and complete member data	1.9.1 To undertake annual data matching and address tracing exercise	Reduce missing addresses by 25% relative to 31 December 2019	Missing addresses held reduced by 34% year on year	**Achieved**
	1.9.2 To monitor and improve data quality and ensure common data quality meets TPR standards	Data scores calculated in line with TPR guidance and action taken in line with data improvement plan	Data scores show an improvement on previous year: Common 99.1% (2019/20 98.1%) Scheme specific 98.5% (2019/20 96.6%)	**Achieved**

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

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2021	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 2023	Not due in current reporting period	**On Target**
	2.1.2 To provide necessary information to GAD for cyclical cost cap valuations	Information provided by due date	GAD was provided with 2020 data in January 2021	**Achieved**
	2.1.3 To ensure employer contribution rates for 2019/20 implemented and deficit recovery contribution streams collected	Collect minimum contributions due under current Rates & Adjustment certificate	All contributions and deficit recovery streams collected as set out in the Rates & Adjustment certificate. Outstanding deficit recovery amounts collected with March 2021 contributions in April 2021.	**Achieved**

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2021	Status
2.2 To invest scheme funds in accordance with the Statement of Investment Principles and the Statement of Responsible Investment	2.2.1 To achieve investment performance in line with targets	NILGOSC fund target	3 and 5 year return to 31 March 2021 was ahead of the fund target of CPI+3.5% by 4.02% and 4.97% respectively.	**Achieved**
	2.2.2 To monitor and regulate investment management	That no manager breaches investment guidelines and that under performance is promptly addressed	During the year ended 31 March 2021, no active breaches were reported. Underperformance is addressed through the scorecard process.	**Achieved**
	2.2.3 To maximise income from scheme assets	Amount of income earned	In the 12 months to 31 March 2021: Stock Lending income £543,374 Class actions income £67,104	**Achieved**
	2.2.4 Implement the Statement of Responsible Investment and Climate Risk Statement	Vote in as many company meetings as possible, recoup earnings through class actions and to engage with companies to improve Environmental, Social and Corporate Governance (ESG) performance	In the 12 months to 31 March 2021: Votes were cast at 224 meetings for 204 companies 68 engagement letters were issued (45 to UK companies and 23 to European companies) £67,104 recovered through class actions	**Achieved**
	2.2.5 To undertake the triennial Investment Strategy Review	To complete the strategy review by December 2021	The remaining phase of the 2018 strategy review, to appoint an active emerging markets equity manager, was funded in May 2021. The next strategy review will take place in 2021.	**On Target**
2.3 To review investment performance regularly	2.3.1 To undertake a balanced scorecard review of investment managers on a quarterly basis	Quarterly Scorecard report completed	Quarterly Scorecard reports completed and noted at relevant Management Committee meetings	**Achieved**
	2.3.2 To benchmark investment performance against LGPS peers	Annual benchmark report produced by 30 September	Report presented to August Committee meeting	**Achieved**
	2.3.3 To monitor and report on investment costs using standard industry templates	Annual investment costs report by 31 August	Investment management costs monitored on an on-going basis and reported to the Committee. The annual cost report was completed prior to 31 August 2020 but presented at the September Committee meeting due to scheduling.	**Achieved**
2.4 To understand and adopt good practice in Public Sector fund management	2.4.1 Review Statement of Investment Principles and Funding Strategy Statement	Revise FSS and revise SIP when necessary	No revisions required during the year	**On Target**
	2.4.2 To monitor and manage employer covenants in line with Funding Strategy Statement	Interim monitoring completed by 31 March 2021	Annual employer covenant exercise concluded and report issued 31 March 2021	**Achieved**

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2021	Status
2.5 To work collaboratively on investment matters when suitable opportunities arise	2.5.1 To explore the benefits of scale investing and share knowledge and expertise on opportunities in alternative private markets	Collaboration with like-minded investors where mutually beneficial.	Potential collaborative investments identified during the year did not proceed due to external circumstances	**On Target**
	2.5.2 To collaborate with like-minded investors on environmental, social and governance matters to support common goals	To join collaborative initiatives and share knowledge and expertise where appropriate.	In the year to 31 March 2021 NILGOSC joined other businesses and investors in signing letters to the UK Government and to EU heads of state and government, calling for a sustainable resilient recovery from the COVID-19 pandemic. NILGOSC also became an official supporter of the TCFD recommendations and signed up to the CDP's 2021 disclosure request and Non-disclosure engagement campaign.	**Achieved**

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

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2021	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 2019 levels	At 31 March 2021 the Scheme had 70,881 active members, an increase of 15% on the March 2019 figure of 61,513 active members	**Achieved**
3.2 To provide general scheme information to scheme employers, their employees, members, Trade Unions and pensioners through active engagement	3.2.1 Publish comprehensive scheme literature and guidance	Within 3 months of Scheme changes	Literature has been updated during the year as required	**Achieved**
	3.2.2 Provide employee and employer seminars	Employer satisfaction rating as measured through annual satisfaction survey	All seminars were delivered remotely and the structure was changed to deliver one hour seminars on specific topics. 19 seminars were held with 1,412 attendees. One employer seminar was held in conjunction with LGA on the impact of COVID-19 and a further in-house event was held for employers on the McCloud consultation and data collection requirements. The satisfaction survey recorded employer satisfaction as 4.56/5.	**Achieved**
	3.2.3 To lay the Annual Report in the NI Assembly	In accordance with date agreed with Department for Communities (DfC)	2019/20 Annual Report and Accounts certified with an unqualified opinion and laid before the NI Assembly 8 September 2020 as agreed with DfC	**Achieved**
	3.2.4 To implement the Communications Workplan	Actions completed in line with target dates	80% of actions were completed within the target dates and 84% were completed by the end of the year.	**Moderately Behind Target**
3.3 To provide members and employers with specific details of regulation changes and relevant tax legislation changes	3.3.1 Communication of any relevant regulation and tax changes	Within 3 months of regulations or changes being made	Communications were issued when required	**Moderately Behind Target**
	3.3.2 To advise all new members of the benefits of the pension scheme	Issue information to new scheme members and membership certificates within 20 working days of receipt	13,760 new members processed within 20 days of receipt of information from employer 98% within target	**Achieved**

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

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2021	Status
4.1 To influence changes to the LGPS and actively contribute to relevant consultations	4.1.1 To ensure that employers are aware of potential scheme changes	All employers and recognised Trade Unions informed of key potential scheme changes	Circulars issued as required	**Achieved**
	4.1.2 To respond to relevant Government consultation exercises	By consultation reply date	Responded to consultations on the Pensions Dashboard, Pensions Tax Relief Administration, GMP Indexation and increase to minimum pension age	**Achieved**
	4.1.3 To respond to parent Department consultation exercises	By consultation reply date	Responded to the McCloud/ underpin consultation.	**Achieved**
	4.1.4 To contribute to consultee groups e.g. PLSA, LGPC etc	To have representation on all groups	Representation has continued on all established groups and new ad-hoc Covid groups.	**Achieved**
	4.1.5 To contribute to industry discussions around scheme simplification	To be represented at LGPS simplification discussions	Currently represented on industry groups exploring the McCloud remedy	**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	Various engagements with employers relating to investments	**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	Recommendations made to DfC for further improvements to the Scheme regulations	**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 2021	Status
5.1 To enhance corporate governance arrangements appropriate for a public body	5.1.1 Respond to External Auditor letters	Within 10 working days	Responses to all external audit requests prior to or during audit provided promptly; Level 3 audit recommendation implemented October 2020.	**Achieved**
	5.1.2 Review of NILGOSC Internal Controls	Annually by 31 March	Governance statement published	**Achieved**
	5.1.3 Participate in data matching exercises as appropriate	Identify invalid payments and recoup losses	NILGOSC participated in the 2020/21 NFI Data Matching Exercise which identified 10 overpayments of approx. £26k. At 31 March 2021, two have been repaid and recovery of the remaining overpayments is being pursued. NILGOSC continues to pursue recovery of overpayments identified through previous NFI exercises. As at 31 March 2021, £6.1k remains outstanding and recovery arrangements are in place.	**Achieved**
	5.1.4 To test Business Continuity procedures and ensure effective	Annual test of Business Continuity Plan	Throughout 2020/21, NILGOSC successfully tested various remote working scenarios as a result of the pandemic. The annual test was carried out successfully in March 2021. Independent testing of NILGOSC's IT Infrastructure was carried out in March 2021 for the Cyber Essentials Plus certification. This was successful and NILGOSC is now accredited with the National Cyber Security Centre for Cyber Essentials Plus (CE+) Scheme.	**Achieved**

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2021	Status
5.1 To enhance corporate governance arrangements appropriate for a public body	5.1.5 Maintain a Risk Register and take actions to mitigate identified risks	The Risk Register is compiled, reviewed quarterly and actions identified, completed	The Annual Risk Review took place on 28 April 2020. The Risk Register 2020/21 and a separate COVID-19 Risk Register were approved by both the ARAC and the Management Committee in June 2020. Quarterly risk reviews took place throughout the year.	**Achieved**
	5.1.6 To undertake a triennial review of the Organisation's Strategic Objectives	Review undertaken by 31 December 2021	Not due in current reporting period	**On Target**
	5.1.7 To undertake the retendering of goods and services	Tenders completed in line with procurement schedule	All procurement activity conducted in line with 2020/21 procurement schedule.	**Achieved**
	5.1.8 To utilise relevant procurement frameworks to minimise costs and increase efficiency	Frameworks utilised where they offer value for money and meet business needs	NILGOSC continues to exploit opportunities to use public sector collaborative frameworks and contracts where they offer value for money.	**Achieved**
	5.1.9 To ensure that all Committee members undertake appropriate training in line with good practice, guidance and legislation	Each member has undertaken 40 hours of training/development per annum	The Management Committee have undertaken 830 hours of training in the reporting period from 1 April 2020 to 31 March 2021.	**Achieved**
	5.1.10 To provide tailored induction training and support for new Chair and Committee members	Induction completed within 2 months of appointment to Committee and relevant Sub-Committees	Four Committee members were appointed on 1 April 2020 and a further four on 1 October 2020. Induction training was completed within two months of appointment.	**Achieved**
5.2 To maximise efficiency through the use of technology	5.2.1 Implementation of an Electronic Document Records Management System (EDRMS)	System installed and operational by 31 March 2021	An agile approach to the project has been adopted and the Discovery and Alpha phases are complete. The Discovery report set out a longer timeframe for the Alpha phase of the project than originally anticipated. The roll-out of One Drive, which is required to support the development of SharePoint for EDRMS, was completed in the final quarter.	**Not Achieved**
	5.2.2 To implement automated receipt and straight through processing of data from employers	System operational for large employers by 31 March 2022	The project was paused pending completion of pensions software procurement exercise but will recommence in 2021/22	**On Target**

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2021	Status
5.2 To maximise efficiency through the use of technology	5.2.3 To promote the take-up for Member Self Service across scheme membership	To achieve a 20% registration level for members by 31 March 2021	At March 2021, the Scheme had 26,229 individuals registered on MSS - this represented 24% of individuals in the Scheme	**Achieved**
	5.2.4 To issue 2019/20 deferred member pension benefit statements via Member Self Service	Statements issued online by 31 August 2020	The majority of deferred member statements were issued online on 1 June 2020. 1,018 were posted to those members who have chosen to receive their communications by post.	**Achieved**
	5.2.5 To implement a cloud-based hosting solution for non-pension software related IT infrastructure	Migration completed by 31 March 2021	Microsoft Azure has been identified as the most appropriate cloud-based hosting platform for NILGOSC The phased migration of non-critical servers to Azure is scheduled for 2021/22	**Not Achieved**
	5.2.6 To redevelop the website to ensure compliance with accessibility legislation.	Website compliant by 30 September 2020	The contract to deliver the new website commenced in September and it went live on 23 March 2021	**Not Achieved**
	5.2.7 To scope and identify a suitable financial management system	System implemented by 31 March 2021	Project has been deferred 12 months. Pre-market engagement has been completed and procurement exercise is awaiting CPD availability.	**Not Achieved**
	5.2.8 To scope and identify a suitable HR system	System implemented by 31 March 2021	A Workforce Management System was selected and installed by 31 March 2021. Following completion of a trial period, full roll-out is scheduled for first quarter of 2021/22.	**Substantially Achieved**
	5.2.9 To facilitate the exchange of data with the pension dashboards	To be compliant with legislative requirements and timeframes	Engagement continues with relevant bodies including input via the PLSA	**On Target**
	5.2.10 To ensure continuity of the provision of pension software post December 2022	Arrangements in place to ensure no break in continuity of service	Call off tender issued using National LGPS Framework and new contract awarded which goes live in January 2023	**Achieved**
5.3 To manage change in an effective and timely manner	5.3.1 To issue an internal newsletter to improve and promote staff communication	Newsletter issued quarterly	Issued quarterly apart from Q4 due to resourcing issues	**Substantially Achieved**
	5.3.2 To establish project groups to manage projects on a timely and effective manner	Projects managed in accordance with industry standard methodology and in line with project timetable	The Project Coordinator provides advice on project management and, depending on the nature of the project, they are managed in line with Prince 2 methodology or Agile methodology	**Achieved**

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

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2021	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	Two policies, relating to AVC investments and Information Risk, were screened during 2020/21	**Achieved**
6.2 To ensure NILGOSC personnel policies promote equality of opportunity	6.2.1 To prepare s55 Report for Equality Commission	Report prepared by April 2020	Report completed by 31 March 2020	**Achieved**
	6.2.2 To record annual recruitment monitoring information	Report submitted by 1 May each year	Completed and submitted to ECNI in February 2020	**Achieved**
6.3 To ensure that NILGOSC meets or exceeds best practice as set out by the Equality Commission	6.3.1 To implement the Equality Scheme Action Plan 2018/19-2020/21	Actions completed in line with plan	Progress against implementation of actions reviewed by SMT on a bi-annual basis in September and March. Following agreement by ECNI, Equality Action Plan has been extended by nine months to align with the review of the Equality Scheme due in December 2021.	**Achieved**
	6.3.2 To submit s75 Annual Progress Report to include publication of EQIA monitoring information	Submission to Equality Scheme by 31 August 2020	For 2020 the deadline for submission was extended to 31 December. NILGOSC's return was submitted on 15 September 2020	**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 all stakeholder group newsletters and in Annual Report	**Achieved**

Status Key

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

INVESTMENT OF THE FUND

Background

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

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

The assets and liabilities of the Fund are valued every three years by the Scheme Actuary. Following each valuation, the Actuary certifies the employers' contribution rates to maintain the viability of the Fund. A statement by the Scheme Actuary for the year ended 31 March 2021 is included on pages 130 to 132.

Fund Management

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

NILGOSC has a statutory duty to:

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

NILGOSC maintains overall control of the Fund by:

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

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

Investment Aims and Objectives

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

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by consumers for a market basket of consumer goods and services. The annual percentage change in CPI is used as a measure of inflation and to index (i.e. adjust for the effect of inflation) the real value of wages, salaries and pensions to show changes in real values. NILGOSC's actuarial valuation as at 31 March 2019 assumes a prudent investment return of 4.1% for the main group of employers, which is equivalent to CPI+2.1%. NILGOSC's overall investment target is to exceed CPI by 3.5% per annum, to be measured over three and five year periods. The target was set on 1 April 2018, in line with the adoption of the most recent investment strategy.

Investment Strategy

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

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

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

- The need for appropriate diversification

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

The last formal strategic review took place in October 2017 and culminated in a revised investment objective and asset allocation. The review was informed by the improved funding position identified by the 2016 valuation, together with advice from the investment advisor and Scheme Actuary on future investment and demographic expectations. The new investment objective has been effective since 1 April 2018 and the last phase of the transition plan to implement the new strategic asset allocation was completed in May 2021. The revised strategy reduced the proportion of the Fund invested in equities from over two-thirds to just over one-third and reweighted the Fund towards fixed income, as NILGOSC seeks to reduce investment risk as the Fund slowly matures. Reweighting the Fund also led to a review of NILGOSC's overall investment objective, which from 1 April 2018 was changed from CPI+5% to CPI+3.5%.

The transition has been undertaken over several phases. The first phase was completed in March 2018, with £827.8m transferred from active UK equity mandates to fund an increase in passive index linked gilts managed by Legal & General Investment Management (LGIM). The second phase took place during 2018/19, with the termination of three active mandates and a reduction in two more, in order to fund four new specialist Fixed Income managers with £2.2bn. The third phase of the transition necessitated the appointment of both a Global Property manager and a specialist Emerging Markets Equity manager. In February 2020, CBRE GIP was appointed to manage a £250m Global Property mandate, which is being gradually drawn over 12-18 months as suitable opportunities arise. Due diligence was delayed due to the pandemic, but in April 2021, William Blair was appointed to manage an Emerging Market mandate of £235m, which was funded in May 2021. Further investment in infrastructure is required to reduce equity holdings to the strategic target of approximately 34% of the Fund, although two infrastructure commitments were made during the year. In February 2021, €50m was committed to a renewables infrastructure fund managed by Copenhagen Infrastructure Partners (CIP) and in March 2021, a further €45m was committed to the Antin Mid Cap fund. Neither manager had drawn any capital before year end.

The target asset allocation in effect at 31 March 2021 is that agreed in October 2017. The following table shows the target asset allocation along with the current weighting as at 31 March 2021. It also sets out the approximate assumptions made about the real return for each asset class as at 31 March 2021.

Asset Class	Target Weighting %	Current Weighting %*	Real Return % p.a.**
UK Equity	5.5	3.8	4.50
Global Equity	26.0	39.3	4.00
Emerging Market Equity***	2.5	3.7	5.00
UK Traditional Property	7.0	4.8	3.25
Private Rental Sector	1.5	1.1	3.25
Index Linked Leases	3.5	2.9	2.25
Global Property	3.0	0.8	2.50
Infrastructure ****	7.5	3.4	5.00
Index Linked Gilts	14.5	13.1	-1.75
Absolute Return Bonds	14.5	13.4	0.75
Multi Asset Credit	14.5	13.7	1.50

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

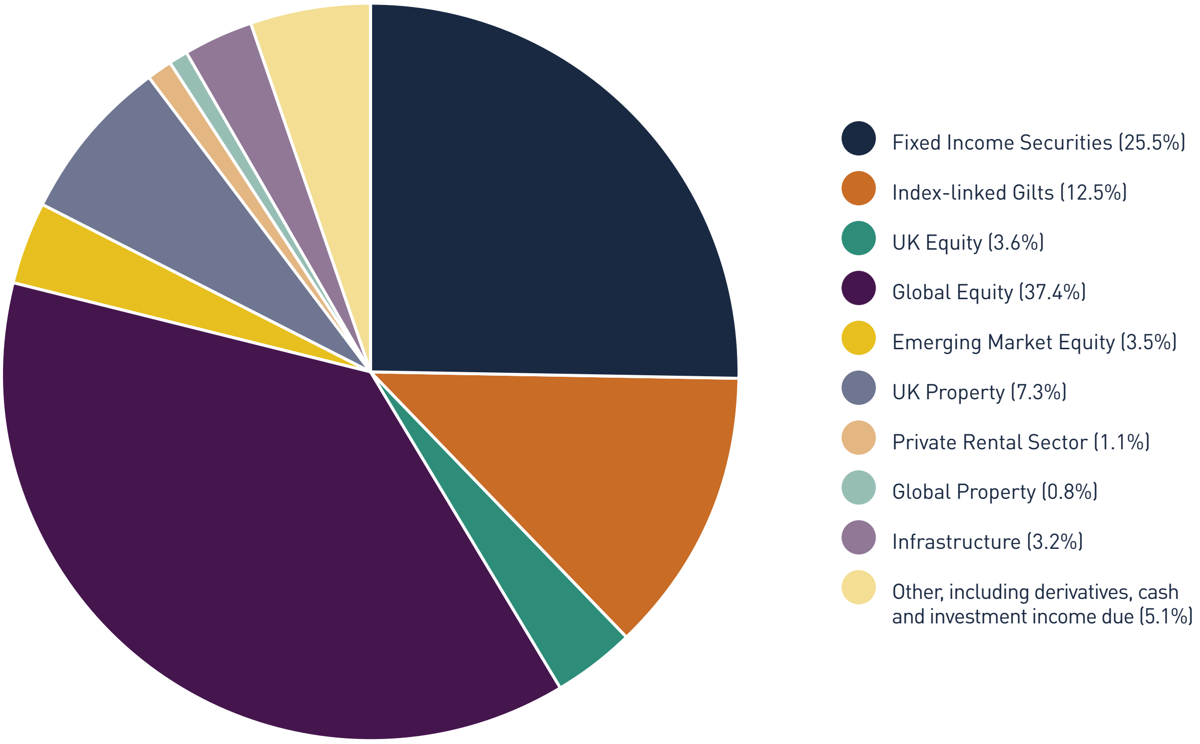
** The real return figures are based on Aon Solutions UK Limited's 10 year forward-looking assumptions at 31 March 2021 for each asset class and have been adjusted for its CPI assumption of 2.1% per annum. The figures do not allow for active management in traditional (equity, bonds, property) asset classes.

*** As at 31 March 2021, the Emerging Market Equity allocation relates to passive investments held with LGIM.

**** Return is for US and European infrastructure investments. NILGOSC has committed £507m to a number of Infrastructure investment funds. As at 31 March 2021, NILGOSC had funded £306m, approximately 60% of this commitment. The funds are denominated in Euros, US Dollars and Sterling. The amounts quoted are the base currency converted at the year-end exchange rate.

The actual asset allocation as at 31 March 2021 is illustrated in the following pie chart. The calculations include investment cash held for trading purposes which is categorised as 'other'.

Fund Asset Allocation at 31 March 2021



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

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

The next triennial investment strategy review is scheduled for 2021, which will critically assess NILGOSC's existing investment strategy in the context of current economic conditions and expected future investment returns. Our investment advisor, Aon Solutions UK Limited (Aon), has commenced work on the exercise.

Fund Managers and Primary Funds

For certain asset classes in which NILGOSC wishes to invest, a range of fund managers have been appointed to manage particular types of assets depending on their areas of expertise. In the case of alternative assets such as infrastructure and residential property, commitments to invest have been made in respect of a number of fixed term funds, known as primary funds, each with its own specialist manager. In addition to the primary infrastructure funds, NILGOSC collaborates with other LGPS funds, led by Lothian Pension Fund, to access sound infrastructure opportunities directly. These co-investment and single asset investment vehicles are designed to help build a low risk, diversified infrastructure portfolio in line with the Fund's target allocation. During 2020/21, NILGOSC continued this collaboration and at 31 March 2021 had committed a total of £81m through such investments. A further £54m is committed to co-investment opportunities directly with Antin Infrastructure Partners.

The table below sets out the mandates and primary fund investments in place as at 31 March 2021 and details the type and percentage of assets invested with each at this date, including cash held for trading purposes. In the case of the primary funds, the percentage shown in the table reflects the value of NILGOSC's asset investment (excluding derivatives, investment cash and cash equivalents) at 31 March 2021 and not the total commitment made to the fund. This information can be found in the footnote to the following table:

Asset Class	Fund Manager	% of Total Fund
Mandates:		
Global Unconstrained Equities	Baillie Gifford	11.55%
	Unigestion	4.38%
Passive Funds	Legal & General Investment Management	43.10%
Absolute Return Bonds (ARB)	Royal London Asset Management	7.14%
	T. Rowe Price	7.27%
Multi Asset Credit (MAC)	BlueBay	7.08%
	PIMCO	6.90%
UK Traditional Property	LaSalle Investment Management	4.69%
Index Linked Property	LaSalle Investment Management	2.81%
Global Property	CBRE Global Investment Partners	0.80%
Primary Funds:		
UK Residential Property	M&G UK Residential Property Fund[1]	1.07%
Infrastructure	Antin Infrastructure Fund II[2]	0.22%
	Antin Infrastructure Fund III[3]	0.64%
	Antin Infrastructure Fund IV[4]	0.17%
	KKR Global Infrastructure Investors Fund II[5]	0.37%
	KKR Global Infrastructure Investors Fund III[6]	0.17%
	DIF V[7]	0.34%
	CIP Fund[8]	0.00%
	Antin Mid Cap[9]	0.00%
Infrastructure Co-Investments	Various[10]	1.20%
Smaller NI Investments	Various[11]	0.10%

SOURCE: The Northern Trust Company

[1] Total commitment £100m

[2] Total commitment €48m (£40.9m converted at 31 March 2021 exchange rate)

[3] Total commitment €75m (£63.9m converted at 31 March 2021 exchange rate)

[4] Total commitment €75m (£63.9m converted at 31 March 2021 exchange rate)

[5] Total commitment $60m (£43.5m converted at 31 March 2021 exchange rate)

[6] Total commitment $50m (£36.2m converted at 31 March 2021 exchange rate)

[7] Total commitment €50m (£42.6m converted at 31 March 2021 exchange rate)

[8] CIP Fund IV not yet funded. Total commitment €50m (£42.6m converted at 31 March 2021 exchange rate)

[9] Antin Mid Cap not yet funded. Total commitment €45m (£38.3m converted at 31 March 2021 exchange rate)

[10] Total commitment £64.0m, €65.3m and $20.6m (£134.6m converted at 31 March 2021 exchange rate)

[11] Includes residual cash holdings following termination of UK Equities Fund Manager, Jupiter Asset Management in March 2021

For those mandates where a specialist fund manager has been appointed, a performance target has been compiled by NILGOSC using indices applicable to the asset type and geographic market. The standard targets and benchmark indices for each asset class held by the fund as at 31 March 2021 are shown in the following table:

Asset Class	Target/Benchmark (Outperformance shown per annum)
UK Equities*	FTSE All Share
Overseas Equities	MSCI All Countries World +3%
	FTSE All World Index +3%
	FTSE All World North America Index
	FTSE North America GBP Hedged
	FTSE All World Developed Europe ex UK Index
	FTSE All World Developed Europe ex UK Index hedged
	FTSE Japan Sterling hedged
	FTSE All World Developed Asia Pacific ex Japan
	FTSE All World All Emerging
Cash	Sterling Overnight Index Average (SONIA)
Bonds	-
Index Linked Gilts	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index
Absolute Return Bonds	Sterling Overnight Index Average (SONIA) +2.5%
	3 month GBP LIBOR +3%
Multi Asset Credit	Merrill Lynch British Pound LIBOR 1-month Constant Maturity Index +5%
	To outperform the below composite benchmark by 2.5%: 33% JP Morgan EMBI Global (GBP hedged); 33% Bloomberg Barclays Global Aggregate Credit Index Ex Emerging Markets (GBP hedged); and 33% BofA Merrill Lynch BB/B Rated Developed Markets High Yield Constrained Index (GBP hedged)
Property	-
Index Linked Property	RPI +3%
Traditional Property	MSCI UK Quarterly Property Index +1%
Global Property	Absolute Return of 5-7%
Private Rented Sector	6% Absolute Return
Infrastructure	CPI +3.5%

* UK equities under passive management, following termination of active manager in March 2021.

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

In addition to managing the Fund's passive holdings, LGIM is also responsible for maintaining the overall asset allocation within agreed ranges under normal circumstances. Typically, when a range is breached, LGIM will rebalance the Fund back within the agreed tolerance. The rebalancing service has been suspended to allow for an effective transition to the new asset allocations and investment strategy. Rebalancing is expected to recommence during 2021/22, following funding of the new Emerging Markets mandate.

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

All of NILGOSC's active managers work to long-term investment horizons, generally a five to ten year market cycle, and accordingly, NILGOSC is not unduly concerned with short term volatility in investment returns. A robust quarterly investment monitoring process is in place, which aims to look beyond returns to uncover the underlying cause of any underperformance. Therefore, in addition to monitoring financial returns, NILGOSC reviews a number of key qualitative factors such as investment style and team, business strength, environmental, social and corporate governance (ESG) practices, risk management, and the fund managers' level of assets under management. NILGOSC also takes advice from its investment advisor, Aon, and thereby retains conviction in the underlying investment process adopted by its external fund managers to deliver the target level of return over a three to five year investment horizon.

Market Report

After severe disruption in global markets in early 2020 due to the pandemic, equity markets rallied in Q2 and Q3 2020 as a slowdown in new cases and the relaxation of lockdown measures resulted in a sharp economic rebound. Economic optimism was dampened at the start of Q4 2020 with further COVID-19 outbreaks. However, equity markets continued to rally as huge fiscal and monetary stimulus, together with optimism over vaccine rollouts led to investor willingness to overlook the sharpest economic recession in generations. Heightened political uncertainty around November's US presidential election provided some drag on risk sentiment, but increased expectations of expanded fiscal spending, following Democrat Joe Biden's victory, boosted markets.

Global COVID-19 cases continued to surge in Q1 2021, with many countries going back into lockdown as new variants became more virulent. Health concerns also halted the vaccine rollout in some countries, whilst supply constraints led to a slower than expected rollout in Europe. However, improving economic data over the quarter in most countries and global vaccination rollouts boosted economic recovery optimism. The MSCI AC World Index rose by 51.1% in local currency terms over the past twelve months and by 38.9% in Sterling terms.

Central banks loosened monetary policy with quantitative easing (QE) programs. The US Federal Reserve (the Fed) even began buying individual corporate bonds directly from the secondary market for the first time in Q2 2020. In Q3 2020, the Fed then announced a major policy shift by adopting an "average inflation targeting" approach, implying a higher tolerance towards inflation. In Q4 2020 and Q1 2021, the Fed maintained its guidance surrounding keeping interest rates near zero until at least 2024 and continuing to buy $120bn of debt per month, until "substantial further progress has been made" towards its employment and inflation targets.

In Q3 2020, the Bank of England (BoE) reported in its meeting minutes that it was examining how negative interest rates could be implemented effectively should this be required. However, deputy governor Dave Ramsden later suggested that the current base rate represented the "effective lower bound" for interest rates. The European Central Bank (ECB) launched a €1.9tn Pandemic Emergency Purchase Program (PEPP) which will continue until March 2022.

After years of negotiations, the UK and the European Union (EU) reached a historic Brexit trade deal. The deal was reached after issues including EU fishing rights in UK waters and fair competition rules were agreed. The agreement allows most goods to be traded between the UK and the EU without tariffs or quotas. Meanwhile, EU fishing rights in UK waters will be reduced by one-quarter over a five and a half-year transition period, after which access will depend on annual negotiations. Spain and the UK also agreed to keep the land border between the British overseas territory of Gibraltar and Spain open.

Brent crude oil prices rose by 179.4% over the last twelve months to $63 a barrel. After Q1's sharp fall, oil prices recovered in Q2 2020 rising by 81%, supported by record-setting production cuts by the Organisation of the Petroleum Exporting Countries and allies (OPEC+) and the easing of lockdown measures in major economies, leading to expectations of higher oil demand. Optimism over vaccine approval and the commencement of vaccination programmes supported oil prices later in the year, even though OPEC and Russia agreed to increase oil production by 500,000 barrels per day from January 2021. OPEC also cut its forecast for 2021 growth in oil demand, citing continued virus uncertainty and weak labour markets. In Q1 2021, crude oil prices were again boosted by positive vaccine developments and easing lockdowns. OPEC+ decided to maintain a production rate at 7m barrels per day, slightly down from the previous quarter's 7.2m barrels per day.

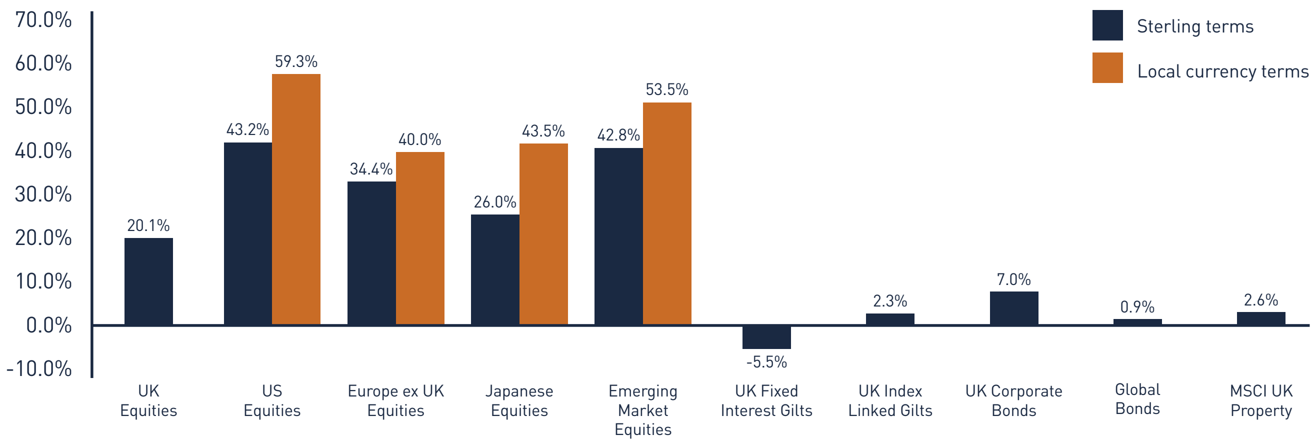
Sterling ended the period 5.7% higher on a trade-weighted basis. Sterling depreciated in Q2 2020 due to: the deteriorating COVID-19 situation in the UK, Brexit uncertainty, and a poor economic outlook. However, in Q3 2020, the weak US Dollar led to Sterling gains against it. Sterling continued to more broadly appreciate in Q4 2020 in anticipation that a Brexit deal would be reached. The relief rally in Sterling in Q1 2021, in the wake of the Brexit deal, was boosted by the launch of a successful UK vaccination program.

UK gilt yields fell to extreme lows in the summer of 2020 on the back of the pandemic, Brexit uncertainty, and increased expectations of a BoE rate cut to negative levels. However, yields started to edge up across maturities in Q3 as global risk sentiment improved. In Q1 2021, gilt yields rose sharply on the back of economic optimism in the light of several vaccine discoveries, further fuelled by the new US stimulus package. Credit markets benefited from risk-on investor sentiment over the year, with credit spreads (the difference between corporate and government bond yields) continuing to contract to ever tighter levels.

UK commercial property returned 2.6% over the period, as the income return of 5.5% offset the 2.9% fall in capital values. Virus pressure impacted the already struggling retail sector, whilst the industrial sector performed strongly.

The following graph summarises the index returns on the main asset classes and regions for the year to 31 March 2021. Returns are shown in Sterling terms and local currency terms.

Index returns from 31/03/2020 to 31/03/2021



Source: FactSet, MSCI

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

Equities

Over the year, UK equities regained most of the value that had been lost as a result of the pandemic, returning 20.1%. Broadly speaking, UK equities underperformed much of the developed world in Q2 and Q3 because of their large exposure towards financials and energy, as fears over negative rates and lower long-term oil prices set in. Heightened Brexit uncertainty and a larger economic contraction relative to the UK's peers weighed on prospects of a rapid economic rebound. However, there was a reversal in trend from the end of 2020 with UK equities outperforming peers, as a Brexit deal was finalised and the UK came out ahead of the curve on the vaccination front. The rise in oil prices, attributed to the vaccine breakthrough and the record-breaking oil production cuts made by Saudi Arabia, supported the energy sector, to which UK equities have a large exposure. UK large-cap stocks outperformed their smaller counterparts as a result of Sterling appreciation and rising investor risk sentiment.

US equities outperformed other markets over the year, boasting an impressive 59.3% return in local currency terms.

The strong rebound in equities is a reflection of the implementation of vast and highly coordinated monetary and fiscal policy regimes which aim to stimulate the economy. In particular, US monetary policy has induced a higher demand for equities by lowering the rates of interest on safer assets, such as government bonds, as investors search for yield. The growth-oriented technology sector has been amongst the highest performing stocks, supported by lower interest rates and the transition to virtual life. Consumer discretionary and cyclical companies have also fared well as the economy has started to rebound.

European equities (excluding the UK) returned 40.0% over the year in local currency terms. Although the region became the epicentre of the COVID-19 outbreak during its early stages, support from the ECB's asset purchase programmes provided a boost to the markets. The EU also approved the bloc's €1.8tn budget and recovery package, further improving the outlook for the region. Much needed relief over Brexit uncertainty reduced a major source of risk for equities.

Japanese equities returned 43.5% in local currency terms over the year. Because of low virus cases and less severe lockdowns, the market suffered a better downturn than many others at the onset of the pandemic.

Concerns over whether Japan's ultra-loose monetary policy and fiscal spending would continue following Prime Minister Shinzo Abe's departure were brushed aside as Abe loyalist Yoshihide Suga won the election. Japanese stocks posted the strongest local currency gains in Q1 2021 because of their cyclical market exposure and the growing demand for Japan's exports. However, most of these returns were eradicated in Sterling terms due to the depreciation of the Yen against it.

Emerging market equities returned 53.5% over the year in local currency terms, boosted by the successful containment of COVID-19 across East Asian economies, which make up the bulk of the index. Latin American equities also performed well over the year due to rising commodity prices. Emerging market stocks have been underperforming recently because of the headwinds of a stronger Dollar and rising US yields. Corporations in the region have a significant amount of Dollar-denominated debt and are likely to rely on US financing for their operations.

Bonds

UK fixed gilts returned -5.5%, whilst UK index-linked gilts returned 2.3%, as yields rose across both curves. Following a fall in gilt yields in Q2 2020, the gilt market recently experienced a sell-off on the back of accelerated economic recovery, rising risk sentiment, and more recently, a rise in inflation expectations because of the increased level of money supply and economic activity.

With the exception of Q3 2020, index-linked gilts outperformed fixed interest gilts over the period, driven by a strong increase in breakeven inflation (a market-based measure for expected inflation, calculated as the yield of a fixed interest bond minus the yield of an inflation-linked bond of the same maturity) which meant real yield movements were generally less pronounced.

Global sovereign bond yields remained range-bound in the early part of the year. Over Q3 2020, the US yield curve steepened when longer duration yields rose while short term yields fell, as broader policy support helped anchor short-term yields at low levels. Later in 2020 and into 2021, yields increased supported by the positive risk sentiment and improved economic recovery prospects. US rates led the way, driven by stronger growth, higher inflation expectations, and a repricing of when central banks may start to raise rates.

UK corporate bond spreads (the difference between the yields on non-government bonds and equivalent maturity government bonds) narrowed across all credit grades, although the change in spread stabilised in Q1 2021. The move was caused by a persistent risk-on sentiment with the largest spread tightening occurring in lower-quality corporate bonds. Since the second quarter of 2020, the rate of change in spreads has been falling consistently. UK and US investment grade corporate bonds across all maturities returned 7.0% and 9.9%, respectively.

Global credit spreads fell steadily over the year, initially triggered by the unprecedented speed and size of the fiscal and monetary response as central banks rolled out large-scale asset purchase programmes and governments announced stimulus packages. By Q3 2020, credit spreads across investment grade, high-yield and emerging markets had reached levels in line with their 20-year averages. Market optimism and strong macroeconomic data continued to support spread tightening later in the year, with credit spreads near their pre pandemic levels by the end of 2020.

Property

The MSCI UK Monthly Property Index reached an all-time high in the first quarter of 2021, returning 2.6% over the past 12 months. Following a fall in property values in much of 2020 due to the economic downturn, the real estate market entered a recovery phase in the third quarter. However, the rental property sector struggled to achieve the same level of success with rental growth only entering positive territory at the beginning of 2021 and vacancy rates continued to rise modestly. The industrial sector significantly outperformed the retail and office sectors posting an impressive return of 13.9%, boosted by the heightened demand for logistics during the pandemic.

The COVID-19 pandemic weighed heavily on global commercial real estate investment, with 2020 volumes down significantly on the previous year; however, investment activity surged in Q4 2020, demonstrating a strong recovery in investor sentiment. Western countries with sectoral diversity, scale and transparency led the recovery, notably France, Germany, and the United States. Some loss of office-utilising employment lowered overall office demand in all regions in 2020, with vacancy rates rising by at least 1.0-1.5% globally. The retail sector continued to struggle in the wake of the pandemic, with weaker sales in physical stores, less tourism in some markets and rising online sales. This pushed rents lower in Q4, falling the most in the Americas. The growth of online retail accelerated demand for industrial assets globally, and as such, industrial rents remained resilient, driven primarily by America's demand.

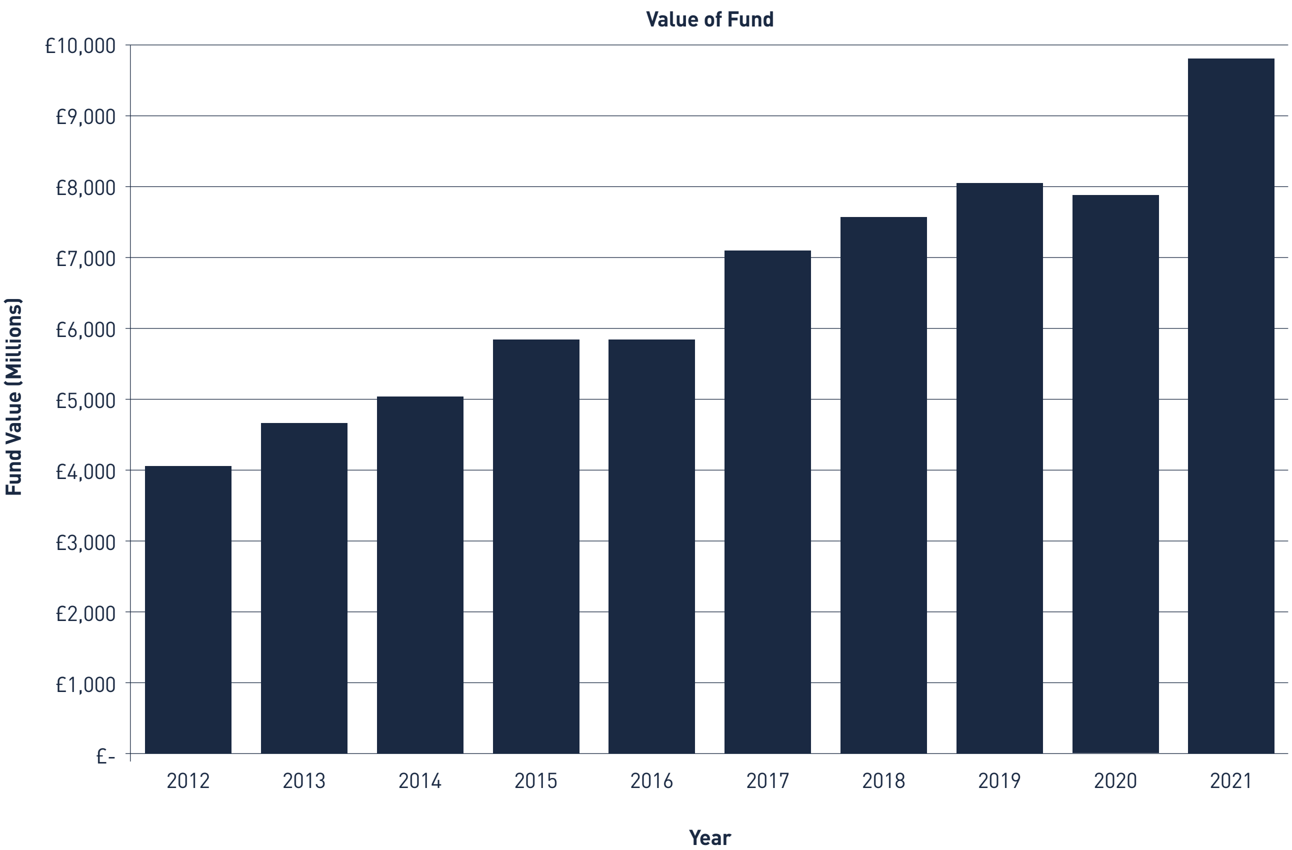
Infrastructure

Although the pandemic will have undoubtedly temporarily disrupted some infrastructure projects, investment continues to grow, and there was an increase in the number of announced projects over 2020 compared with previous years. Governments worldwide, most notably the US, have plans to take on large infrastructure projects to stimulate economic and employment growth. Further, the green infrastructure trend continues, and renewables power generation is expected to be a substantial driving force as governments aim to hit their carbon emission targets. As with all illiquid asset classes, valuations need to be treated with an element of caution, and the true performance of these assets is known only once assets are realised.

Fund Value

The value of the Fund at 31 March 2021 has increased by £1.917bn to £9.795bn (2019/20 £7.878bn) or 24.3% 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 130 to 132.



NILGOSC Investment Performance 2020/21

Over the year to 31 March 2021, the Fund's overall return on the total assets was 24.46% (gross of fund manager fees). NILGOSC's overall investment objective is to exceed the Consumer Price Index (CPI) by 3.5% per annum, to be measured over three and five year periods. As NILGOSC's objective is to achieve the maximum return on Fund investments over the longer term, having due regard to the liabilities of the Fund and an acceptable level of investment risk, it is important that undue attention is not given to the returns for a single year in isolation.

The Fund outperformed its target by 4.02% on a three year basis and by 4.97% on a five year basis for the period ended 31 March 2021. The comparable statistics for the three and five year periods to 31 March 2021 on an annualised basis are set out in the table below:

	Three Years % p.a.	Five Years % p.a.
Return of Fund	8.91	10.84
CPI + 3.5%	4.89	5.87

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

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

During the year ended 31 March 2021, the value of the Fund increased in absolute terms to £9.795bn, an increase of £1.917bn. Performance across NILGOSC's investment mandates was mixed, as strategies responded differently to the volatile market conditions over the year.

Overall, it was a mixed year for UK equities. Performance was negatively affected in 2020 as a result of COVID-19 and continued Brexit uncertainty, although it improved coming into Q1 2021 upon finalisation of the Brexit trade deal and a strong vaccine rollout. NILGOSC's active exposure to UK equities was within the Jupiter Blended mandate: a combined approach composed of a growth strategy and a value strategy. The Blended mandate replaced the Jupiter Best Ideas mandate in July 2019 and, as with its predecessor, the new approach continued to experience challenges, particularly in the growth strategy. Following a period of continued underperformance, coupled with qualitative concerns regarding the strategy, the decision was made to terminate the Jupiter Blended mandate and move all actively managed UK equity assets to passive management. The transition of assets was completed during Q1 2021.

It was also a mixed outcome for NILGOSC's two global equity managers. Unigestion was appointed at the end of September 2016 and its low volatility style continued to struggle throughout 2020/21 due to the continued bull market run. In Q1 2021, markets saw a shift towards favouring value stocks, and although Unigestion continued to underperform, it delivered a positive absolute performance and volatility was reduced. As was experienced briefly in Q1 2020, in the right market conditions the strategy can fulfil its purpose of providing downside protection, but since inception it has rarely had the opportunity to do so. Performance figures are only available on a three year basis which, given the strategy, is considered to be too short a period to provide meaningful analysis. Given the downside protection nature of the strategy and expected continued market volatility, this mandate is well placed to perform positively going into 2021/22. By comparison, Baillie Gifford remained NILGOSC's best performing Global Equity manager for the eighth year running, with exceptionally strong outperformance of the FTSE All Share Index and target across Q2-Q4 2020. Despite underperformance in Q1 2021 as high-flying tech names encountered volatility, the manager finished the year with performance of 85.45%, which is 42.40% ahead of target.

As a result of Baillie Gifford's stellar outperformance, a rebalancing exercise was undertaken to bank some of the gains experienced. The first part of this exercise was undertaken during Q1 2021, during which Baillie Gifford sold down £260m of holdings, which was then made available to the Absolute Return Bond (ARB) and Multi-asset Credit (MAC) managers in the following proportions (RLAM £100m; TRP £80m; PIMCO £40m; and BlueBay £40m). The exercise was concluded during Q2 2021. Baillie Gifford sold down a further £280m of holdings, £190m of which was transferred into index-linked gilts to bring the allocation in line with the strategic benchmark, and the remaining £90m was transferred to the sterling liquidity fund for use in servicing capital calls.

Property provided diversification for the Fund during 2020/21. The UK core property portfolio, managed by LaSalle, outperformed its target for the year, although remains behind benchmark and target on a three and five year basis. Outperformance in the period to 31 March 2021 was driven by industrial assets, however returns were dragged by weaker performance from retail and office assets, as both sectors have been particularly negatively impacted by COVID-19 lockdowns. During the year the manager commenced the process of repositioning the portfolio by reducing retail and office holdings and continues to seek to add value through asset management initiatives. The index-linked portfolio outperformed its RPI-linked target over the year by 3.5%, although it should be noted that deferment and/or non-collection of rents is not directly correlated to a reduction in the income returns calculated by MSCI in the period in which they are unpaid or deferred. Where rent payments have been deferred or not collected, MSCI methodology only makes an adjustment for bad debts at the point they are written off, which may lead to a corresponding reduction in reported income in 2021. With that said, although rent collection has been below pre-pandemic levels, LaSalle's collection levels have been ahead of the market every quarter. The portfolio is fully invested with a mix of assets and remains ahead of its target across three and five year timeframes.

CBRE were appointed as NILGOSC's global property manager in February 2020 and have been tasked with building a diversified global property portfolio. The manager commenced drawdowns in May 2020, taking a prudent approach to capital deployment as a result of the pandemic. As at 31 March 2021, £179.1m of capital had been committed of which £77.4m had been drawn over 16 holdings across multiple geographies and sectors. A full year of performance is not yet available to review.

As NILGOSC's passive manager, LGIM has a mandate covering global equities, fixed income and cash. LGIM'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, although this service has been suspended during the transition to the new strategic asset allocation. NILGOSC was pleased to note that LGIM continued to perform broadly in line with the various indices throughout the year, and the rebalancing is expected to recommence during 2021/22, following funding of the new Emerging Markets mandate.

NILGOSC's £100m commitment to the M&G UK Residential Property Fund was made in September 2016 and was fully drawn down during 2018/19. During 2020/21 the fund delivered 0.3% return, comprised of 1.31% income return and -1.01% capital return.

The ARB and MAC managers were appointed in March 2019, as part of the implementation of the 2017 strategy review. Three and five year performance is therefore not yet available for the fixed income managers, however, despite market volatility, all four outperformed both benchmark and target over the year. The MAC managers both experienced three quarters of outperformance as credit markets rallied following the Q1 2020 fall, boosted by the unprecedented levels of government and central bank fiscal and monetary support. Rising yields for government bonds and uncertain inflation expectations resulted in a slight dip in Q1 2021, but overall, both managers returned outperformance over target (BlueBay 16.8% and PIMCO 1.4%). Similarly, the ARB managers experienced fluctuating performance, but on the whole outperformed target over the year (RLAM 0.8% and TRP 5.3%), noting the necessity to remain flexible to adapt quickly to the volatile market conditions.

During the year, NILGOSC continued to implement its medium-term plan to reduce its allocation to equities through investment in a range of Infrastructure funds. During 2021/21 further funds were drawn in respect of existing and new infrastructure fund commitments as shown in the following table:

Fund Name	Committed Fund Currency	% Drawn down at 31 March 2021
Antin Infrastructure Fund II (Antin II)	€48,000,000	87%
Antin Infrastructure Fund III (Antin III)	€75,000,000	80%
Antin Infrastructure Fund IV (Antin IV)	€75,000,000	30%
Antin Infrastructure Fund IV Co Investments	€25,000,000	25%
KKR Global Infrastructure Investors Fund II (KKR II)	$60,000,000	96%
KKR Global Infrastructure Investors Fund III (KKR III)	$50,000,000	44%
DIF Infrastructure V (DIF V)	€50,000,000	65%
M&G PRS Fund	£100,000,000	100%
KKR Evergreen Co-Invest II LP	£10,000,000	100%
Coral Projects Investment LP	£7,895,932	100%
Waterloo Place (1) LP	£10,500,000	100%
Waterloo Place (2) LP	£9,012,884	100%
KKR Byzantium Infrastructure Co-Invest II LP	€9,500,000	100%
Flight Co-Invest LP	$20,612,831	97%
Carnot Co-Invest LP	€20,780,000	81%
KKR Starlight Co-Invest GP Limited	€10,000,000	100%
Equitix MA 10 LP	£7,608,750	100%
Resonance British Wind Energy Income LP	£9,000,000	98%
Equitix MA 12 LP	£10,000,000	100%
Copenhagen Infrastructure IV (CI IV) *	€50,000,000	0%
Antin Mid Cap I*	€45,000,000	0%

* New commitments made during 2020/21

The Antin II, Antin III and Antin IV Funds invest primarily in European brownfield infrastructure assets with a focus on the energy and environment, transportation, social and telecommunications sectors. Antin II and Antin III are substantially drawn down and invested, while Antin IV commenced drawdowns and investments at the end of 2019 and proceeded over 2020/21. During Q1 2021, due diligence was completed on a new fund managed by Antin, the Mid Cap I Fund. Investments will be in the same sectors as its predecessors, but deal sizes will be limited to between €50-300m. The KKR II and KKR III Funds invest in similar sectors, but have more exposure to North America and other regions to provide geographic diversification. KKR II is close to fully invested, whilst KKR III, which commenced drawdowns in late 2018, is almost halfway through.

DIF V is a Dutch Infrastructure Fund with a focus on regulated assets, renewable energy and social infrastructure, and is also substantially invested. These funds have yet to reach the end of their initial investment periods making meaningful performance reporting difficult. During Q1 2021, due diligence was also successfully completed on a new infrastructure manager Copenhagen Infrastructure Partners (CIP), and a commitment to invest €50m in their renewables CI IV fund was made. The strategy focuses on developing and building renewable energy generation assets in Europe, North America and Asia Pacific. The first drawdown was made in April 2021.

As part of its strategic theme of collaboration, NILGOSC continued to work together with likeminded investors in 2020/21. The underlying principle behind this collaboration on alternative investments is to identify attractive infrastructure assets that are in the mutual interest of investors and their stakeholders, specifically through the benefits of scale and improved commercial terms. In the year to 31 March 2021, NILGOSC did not enter into any new co-investment opportunities, remaining committed to a total of nine co-investment infrastructure projects with Lothian Pension Fund, totalling a commitment of £80.6m. A further £53.9m is invested in three infrastructure co-investment opportunities directly with Antin. It is intended that the co-investment strategy will sit alongside the core primary infrastructure funds to help NILGOSC build a diversified portfolio of assets in line with its strategic allocation to the asset class.

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

Responsible Investment

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

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

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 a new fund manager, NILGOSC assesses the manager's 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 monitors managers' action in this area and works with fund managers and the investment sector to ensure sufficient data is available to aid effective decision making.

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

NILGOSC believes that effective stewardship benefits companies, investors and the economy as a whole. The UK Stewardship Code was first published by the Financial Reporting Council (FRC) in July 2010. It was substantially revised in 2019 and the new UK Stewardship Code 2020 took effect from January 2020. The new code defines Stewardship as "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society"[1] and focuses on the activities and outcomes of stewardship, not just policy statements. Signatories will be required to produce an annual Stewardship Report explaining how they have applied the Code in the previous 12 months. NILGOSC plans to publish its first annual Stewardship Report in 2021.

Voting

As a responsible investor, NILGOSC has a legitimate interest in the management of the 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 carrying out the Fund's fiduciary responsibility to add value to its investments.

[1] https://www.frc.org.uk/investors/uk-stewardship-code

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

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

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

A summary of the Fund's global voting record for the year ended 31 March 2021 is shown in the following table:

	UK	North America	Rest of World
Annual General Meetings	54	72	68
Other Meetings	16	1	13
Resolutions	1,174	961	965
Votes For Management	1,008	499	664
Votes Against Management	166	461	301
No Management Recommendation	-	1	-

Note: For passively managed equities, votes are cast by LGIM and are not included in the figures above

Further detail on NILGOSC's voting policies and activity can be found on the NILGOSC website at www.nilgosc.org.uk.

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 fund managers, by reviewing the engagement reports provided on a quarterly basis. These reports detail company engagements undertaken, the issues engaged on and any outcomes.

NILGOSC also engages directly with many of the companies in which it invests. For companies listed in the UK or Europe, where NILGOSC intends to vote against management at a company's Annual General Meeting, a letter will be issued to the company to advise of the voting decisions and to provide a rationale. It is hoped that by providing this explanation, the flow of information between companies and their shareholders can be improved. In 2020/21, NILGOSC issued engagement letters to 45 UK companies and 23 other 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 engagements with like-minded investors, rather than by acting alone.

Demonstrating its commitment to responsible investment practices, NILGOSC has been a signatory to the United Nations Principles for Responsible Investment (PRI) since 2007. This global benchmark is applicable across all asset classes and provides a forum for NILGOSC to collaborate with other like-minded investors on engagement initiatives. NILGOSC reports on its implementation of the Principles for Responsible Investment through the PRI reporting framework on an annual basis. The framework assesses the organisation's overarching approach to: responsible investment; the integration of responsible investment in manager selection, appointment and monitoring; and active ownership within asset classes, including engagement and proxy voting. In July 2020, NILGOSC received its assessment report for the year ended 31 March 2019. The results of the year's assessment were positive, with NILGOSC receiving an A banding for eight of the modules, including for strategy and governance, and a B for the ninth. The results were consistent with the previous year, meaning NILGOSC continued to perform either in line with or above the median of signatory scores in each of the areas assessed. Further detail can be found on the NILGOSC website. The PRI has undertaken an extensive review of its reporting and assessment process, and a new Investor Reporting Framework was launched for 2021. NILGOSC submitted its first assessment under the new framework in May 2021, for the year ended 31 March 2020, and will receive the outcome later in the year.

NILGOSC participates in the UK Pension Scheme Responsible Investment Roundtable, a collective group of public and private sector UK pension funds who work together to promote responsible investment, and in PRI facilitated and other collaborative engagements, where appropriate.

Climate Risk

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

NILGOSC developed its Climate Risk Statement, which acknowledges the importance of climate risk as an investment issue and sets out the steps which will be taken to address it.

In December 2015, the Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. In 2017, the TCFD released its climate-related financial disclosure recommendations. NILGOSC considers the disclosure of climate risks and opportunities to be essential if shareholders are to determine whether the companies in which they invest are adequately addressing the changing climate, and therefore actively supports the TCFD recommendations. In June 2020, NILGOSC was added to the TCFD website's official list of supporters. Further information on NILGOSC's Climate Related Disclosure is available on the NILGOSC website at www.nilgosc.org.uk.

NILGOSC considers it to be in the long-term interests of its members to promote climate risk mitigation and adaptation in the implementation of its investment strategy. By working together with like-minded investors, NILGOSC seeks to create an investment environment which contributes to a low carbon economy. NILGOSC is a member of the Institutional Investors Group on Climate Change (IIGCC), which is the European membership body for investor collaboration on climate change. IIGCC represents over 230 investors with £30tn in assets. NILGOSC is also a signatory of Climate Action 100+, an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change, which, after its launch in 2017, quickly emerged as one of 12 key global initiatives to tackle climate change. The companies include 100 "systemically important emitters", accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition.

Over the year, NILGOSC took part in a number of climate risk mitigation activities, including:

- Signed the 2021 Global Investor Statement to Governments on the Climate Crisis. The Investor Statement was drafted through a global collaboration among the seven founding partner organisations of the Investor Agenda and calls on governments to raise ambition and accelerate action to tackle the climate crisis;
- In June 2020, along with other IIGCC members, NILGOSC signed a letter to EU heads of state and government, highlighting the need to ensure the economic response to COVID-19 delivers a green and sustainable recovery;
- That same month, in June 2020, NILGOSC, along with CEOs from across the economy, signed an open letter to the UK Prime Minister, offering support to the Government in tackling the health crisis, and urging the Prime Minister to provide clear vision for recovery efforts that align with the UK's wider social, environmental and climate goals;
- In January 2021, NILGOSC joined with the PRI and other UK asset owners, to write to the UK government calling for continued climate ambition in advance of COP26, including progress on land use challenges, energy efficiency and smoothing the

transition to zero-emissions vehicles;

- Also in January 2021, NILGOSC renewed its commitment to CDP (formerly the Carbon Disclosure Project), signing up to their Climate Change, Forests and Water programmes. NILGOSC supports the CDP's work 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; and
- NILGOSC was a signatory to CDP's 2020 Non-disclosure campaign, which aimed to engage with previously non-disclosing companies. The campaign focused on companies that had never responded or had not responded to the CDP questionnaire in recent years. In March 2021, NILGOSC renewed its support, signing up to the 2021 Non-disclosure campaign

A list of recent collaborative engagements and initiatives NILGOSC has been involved in is available on the NILGOSC website at www.nilgosc.org.uk.

LONG TERM EXPENDITURE TRENDS

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

Key Financial Information

	2020/21 £'000	2019/20 £'000	2018/19 £'000	2017/18 £'000	2016/17 £'000
Income					
Contributions received and transfers in	295,731	318,645	287,224	267,466	268,649
Investment income	131,877	148,974	97,279	110,634	73,915
Benefits paid					
Retirement Pensions	(209,197)	(198,821)	(186,314)	(173,067)	(163,836)
Lump sum retirement benefits	(45,127)	(59,525)	(56,408)	(49,711)	(62,177)
Death Benefits and leavers	(11,253)	(10,305)	(12,562)	(12,554)	(10,605)
Other expenditure					
Administration expences	(5,061)	(5,268)	(5,545)	(3,090)	(6,281)
Investment management expenses	(25,473)	(23,580)	(18,472)	(19,823)	(19,267)
Net Assets					
Net Assets	9,795,486	7,877,906	8,039,944	7,549,197	7,082,982
Change in market value of investments	1,788,901	(332,354)	385,094	346,160	1,184,479

Membership Statistics					
	2020/21	**2019/20**	**2018/19**	**2017/18**	**2016/17**
Active members	70,881	68,153	61,513	56,727	54,546
Deferred members	31,698	32,316	31,646	30,841	30,853
Current pensioners of whom:	39,913	38,579	36,788	35,019	33,395
Retired Employees	33,980	32,752	31,090	29,457	28,026
Widows/widowers/dependants	5,933	5,827	5,698	5,562	5,369
Total	142,492	139,048	129,947	122,587	118,794

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

Contributions received and transfers in for the year ended 31 March 2021 show a decrease on the previous year consistent with the modest movement in 'active' membership and pay settlements in 2020/21 but more significantly a reduction in employer contribution rates for the majority of employers and the cessation of deficit payments following the 2019 actuarial valuation. An additional fixed monetary payment was introduced from 2017/18 to 2019/20 following the 2016 actuarial valuation and common contribution rates rose from 18% in 2017/18, and 19% in 2018/19 to 20% in 2020. The Fund returned to a surplus position following the 2019 actuarial valuation and accordingly deficit recovery contributions were no longer required from employers in the main group from April 2020. The 2019 valuation set a fixed employer contribution rate of 19.5% from April 2020 to March 2023.

Investment income is a feature of the individual investment strategies which at present include a mix of growth and income styles and can vary considerably year on year. In terms of recent historical trends, investment income showed a decrease in 2016/17 resulting mainly from foreign exchange losses on forward currency contracts used within the bond portfolio. In 2017/18 gains/losses on forward currency contracts were reclassified and included within the change in market value of investments resulting in a significant increase between 2016/17 and 2017/18. This increase in 2017/18 was also driven by a very strong global equity performance. The 2018/19 decrease is somewhat driven by the reduction in dividend income from equities but also the transfer of a UK equity mandate to the Legal & General passive fund in March 2018. The strong growth in 2019/20 reflects the full year impact of the strategic move in March 2019 out of equities to fixed income. The absolute return bonds and multi-asset credit mandates contributed to the material increase in fixed interest income in 2019/20 and 2020/21, albeit volatility in the bond market in 2020/21 made sustaining returns at the 2019/20 level a challenge.

Retirement pension payments continue to grow in line with the increase in the number of pensioners and also the annual pensions increase applicable in April each year.

Lump sum retirement benefits increased significantly in 2015/16 and 2016/17 as a result of the increase in retirements through public sector voluntary exit schemes (VES). There was a drop in VES application activity in 2017/18 which picked up again in 2018/19 and 2019/20. Demand for quotations and subsequent requirements dropped significantly during the early stages of the pandemic and although there was some uptick towards the end of the year, the volume of retirements was down 8% from the previous twelve months. In addition, the value of lump sum retirement benefits is dependent on the salary and service history of individual members and will fluctuate accordingly.

Death benefits and payments to leavers cash outflows are not expected to conform to a predictable pattern as the annual figures reflect the number of member deaths, the number of leavers requesting refunds and the value of death benefits and refunds payable. There is no significant COVID-19 related increase in membership death benefits reflected in the 2020/21 uplift.

Administration expenses have shown an increase since 2015/16 as a result of the cost of additional resources required to meet the demand arising from early exit schemes and the GMP Reconciliation exercise. The large increase in 2016/17 included a one-off expense for an employing authority debt write off. When adjusted the 2016/17 administration expenditure figure is £4,348k. Similar employing authority debt adjustments in 2017/18 and 2018/19 resulted in administrative expenditure figures of £4,393k and £4,699k respectively. The 7% increase in 2018/19 was driven by staff cost increases due to an uplift in the employer pension contribution rate and pay settlement increases along with IT support and maintenance costs for the pension administration system. After adjustment for a one-off IAS 19 current service pension cost following the 2019 actuarial valuation the comparable figure for 2019/20 is £4,643k. The post pension cost adjusted figure for 2020/21 is £4,675k. This slight increase in administration expenditure, is consistent with staff pay settlements and general inflationary pressures on supplies and services but somewhat mitigated by the reduction in pension costs following the cessation of deficit recovery contributions, the reduction in employer contribution rates from 20% to 19.5% and much lower professional fees and discretionary expenditure, in large part due to the pandemic.

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

David Murphy
Chief Executive and Secretary

25 August 2021

Accountability Report

CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

CHIEF EXECUTIVE'S REPORT

Chief Executive and Secretary

Mr David Murphy, the Chief Executive and Secretary, is responsible for the administration of the Scheme and reports to the Committee 9 times per year.

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

Committee Members

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

The Committee members are appointed by the Minister for 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 2020/21. The Minister for Communities approved extensions to the normal term of office for a number of members to facilitate the appointment process run by the Department for Communities. All extensions were within the maximum term permitted by legislation and had concluded by 31 March 2021 at the latest. Two vacancies remained at 31 March 2021.

	Term	Term of Office	Member at 31 March 2021
Lindsay Todd	First	1 May 2019 - 30 April 2023	Yes
Peter Caldwell	Second	1 Oct 2011 - 30 Sept 2020	No
Tom Irvine	Second	1 Mar 2012 – 30 Sept 2020	No
David Jackson	Second	1 Oct 2011 - 30 Sept 2020	No
Peter McMurray	Second	1 Oct 2011 - 30 Sept 2020	No
Sharon McQuillan	Second	1 July 2012 - 31 March 2021	No
Linda Neilan	Second	1 Oct 2011 - 31 March 2021	No
Joan McCaffrey	First*	1 Mar 2016 - 29 Feb 2020	No
Mark McBride	First	1 May 2019 - 30 April 2023	Yes
Paddy Mackel	First**	1 May 2019 - 1 May 2020	No
Paul Francey	First	1 April 2020 - 31 March 2024	Yes
Antoinette McMillen	First	1 April 2020 - 31 March 2024	Yes
John (JJ) Tohill	First	1 April 2020 - 31 March 2024	Yes
Michael Rafferty	First	1 April 2020 - 31 March 2024	Yes
Joan McCaffrey	First*	1 April 2020 - 31 March 2024	Yes
Alan Law	First	1 Oct 2020 - 30 Sept 2024	Yes
Kenneth Clayton	First	1 Oct 2020 - 30 Sept 2024	Yes
Peter Moore	First	1 Oct 2020 - 30 Sept 2024	Yes
Shane McCurdy	First	1 Oct 2020 - 30 Sept 2024	Yes

* Joan McCaffrey completed her term of office as an employer representative on 29 February 2020 and was appointed as an independent member with effect from 1 April 2020.

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

The biographies of the Committee members who served throughout the year are set out in the following pages.

Chair

Mr Lindsay Todd OBE

Mr Todd is Chair of the NILGOSC Management Committee and was, until retirement, an equity partner in PwC. A former NI Judicial Appointments Commissioner, he currently serves on the NI Investment Fund Scrutiny Board and as Chair of the NI Teachers' Pension Scheme Pensions Board. He is also a member of the Investment Committee at Queens University Belfast and the Disciplinary Panel of the Chartered Accountants Regulatory Board.

Committee Members

Employee Representatives

Mr Kenneth Clayton

Mr Clayton, now retired, was Trade Union co-ordinator at Belfast City Council. As a Union Branch Chair (Unite), he has experience on committees such as the Local Government Joint Reform Group and the Union's Local Authority Pensions Committee. He holds no other public appointments and has had no recent political activity.

Mr Paul Francey

Mr Francey has worked within public transport and has been a Trade Union activist for the past fifteen years. He has been a workplace organiser for the GMB Trade Union for the past seven years and has held the position of the Railway Branch Secretary for the past six years. Mr Francey has previous experience of sitting on Trade Union bodies for the GMB within the public transport sector and sits on the Local Government Pensions Advisory Board.

Mr Alan Law

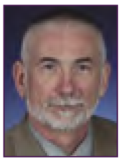
Mr Law is a Trade Union official with NIPSA and is the Chair of the Trustees of NIPSA's Defined Benefit Pension. He has experience in consultations and developing policies on finance functions and governance. He holds no other public appointments.

Ms Antoinette McMillen

Ms McMillen is an official for the Trade Union NIPSA. She has led Trade Union teams within the Northern Ireland Civil Service and has been instrumental in the formulation, development, and implementation of strategic policy in various areas of the public sector. She serves as a Trustee of the NIPSA Defined Benefit Pension Scheme.

Mr Tom Irvine

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



Mr Peter McMurray

Mr 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 Sharon McQuillan

Mrs 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.

Mr Paddy Mackel

Mr Mackel was a long-term Trade Union representative for NIPSA and was a Trustee of NIPSA's Pension Scheme up until November 2019. He is a current member of the Northern Ireland Committee of the Irish Congress of Trade Unions and has been President of the Belfast and District Trades Union Council since 2010.

Employer Representatives

Mr Michael Rafferty

Mr Rafferty is a chartered accountant and is currently the Group Director of Finance & Resources for Choice Housing Group. He brings experience relating to financial management and risk management in complex organisational and regulatory environments. Mr Rafferty has extensive experience of corporate finance and has been instrumental in raising over £500m of debt finance for delivery of social and affordable housing.

Mr JJ Tohill

Mr Tohill is Director of Finance and a member of Mid Ulster District Council's Senior Management Team with responsibility for the finance function, and the design and implementation of effective controls. He has experience of using communication and influencing skills in a complex public sector reform environment involving challenging restructuring and cultural issues.

Mr Shane McCurdy

Mr McCurdy is the Head of Corporate Services at the Controlled Schools' Support Council. Previously he was the Chief Finance Officer for the NEELB and the Interim Head of Finance for the Education Authority. He holds no other public appointments and has had no political activity in the last 5 years.

Mr Peter Moore

Mr Moore is an accountant for Translink and a member of various project boards. He presents at Translink's monthly executive meeting. He has built effective relationships within Translink and the Department for Infrastructure. He holds no other public appointments and has had no political activity in the last 5 years.

Mr Peter Caldwell

Mr 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 David Jackson MBE

Mr Jackson 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 PWC.

Mrs Linda Neilan

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

Independent Members

Ms Joan McCaffrey

Ms McCaffrey was previously the Director of Corporate Services and Governance at Fermanagh and Omagh District Council. She is a Fellow of the Chartered Institute of Management Accountants. She holds no other public appointments and has had no political activity in the last 5 years.

Mr Mark McBride

Mr McBride is a former Head of Finance and Performance at Belfast City Council. He is a Council Member of the Chartered Institute of Public Finance and Accountancy (CIPFA) and is Chair of the Association of Accounting Technicians (AAT) Pension Scheme. Mr McBride is Deputy Chair of NILGOSC Management Committee.

Declaration of Interests

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

Personal Data Related Incidents

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

In the year ended 31 March 2021, four data incidents were assessed as reportable in line with the guidance and two minor incidents were assessed as non-reportable. The ICO confirmed that no further action was necessary in relation to any of the reportable incidents as it did not consider the incidents to have met the criteria for regulatory action.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

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

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

GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

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 2021 and includes an assessment of the corporate governance and risk management systems in place within NILGOSC, that have ensured these responsibilities have been met.

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

2. The Governance Framework 2020/21

NILGOSC is a non-departmental public body (NDPB) sponsored by the Department for Communities ('the Department'). NILGOSC has worked with the Department during 2020/21 to ensure the specific requirements as a NDPB have been met.

NILGOSC is the corporate body responsible for the administration of the Local Government Pension Scheme in Northern Ireland ('the Scheme') and its functions and responsibilities are laid down in the Local Government Pension Scheme Regulations (Northern Ireland) 2014. Since 1 April 2015, the Management Committee has been designated as the Pension Board for the Scheme in accordance with the Local Government Pension Scheme (Governance) (Amendment) Regulations (Northern Ireland) 2015 ('the Governance Regulations'). On 20 March 2020, the Minister for Communities confirmed this designation for a further period of five years.

A Management Statement (MS) is in place with the Department which sets out the broad framework within which NILGOSC will operate in administering the Scheme and in the exercise of its functions, duties and powers. An associated Financial Memorandum (FM) is also in place with the Department, which sets out certain aspects of the financial framework within which NILGOSC is required to operate, in accordance with MPMNI. NILGOSC complied with the conditions and requirements in the Management Statement and the Financial Memorandum during the financial year ended 31 March 2021.

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

2.1 The Management Committee

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

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

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

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

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

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

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

As the terms of office for a number of Committee Members came to an end during the year, the Minister appointed an independent representative, two employee and two employer representatives to the Committee on 1 April 2020. Later in the year a further two employee and two employer representative appointments were made on 1 October 2020. The Minister also extended the terms of office for two members from 1 October 2020 to 31 March 2021 to maintain a full complement and balanced membership in line with statutory requirements. Following the end of the extension period, those two members left the Committee. To fill those vacancies, the Minister appointed Derek McCallan (employer representative) and Heather McKinstry (employee representative) to the Committee on 1 May 2021.

Details on terms of membership and re-appointments to the Committee during 2020/21 are set out in the Chief Executive's Report on page 62. A register of Committee Members' interests is maintained and published on the NILGOSC website.

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

The Management Committee formally met nine times during 2020/21 but there was also an extra meeting called in April 2020 for the Secretary to provide a briefing update on COVID-19. Four Audit and Risk Assurance Committee meetings were held during the year. The Staffing Committee met once in May. A schedule of membership and attendance for the year is shown in the following table:

	Management Committee		Audit & Risk Assurance Committee		Staffing Committee	
	Called	Present	Called	Present	Called	Present
Lindsay Todd	10	10	-	-	-	-
Linda Neilan	10	10	4	4	-	-
David Jackson[2]	5	5	-	-	1	1
Peter Caldwell[2]	5	5	-	-	1	1
Peter McMurray[2]	5	5	-	-	-	-
Tom Irvine[2]	5	5	2	2	-	-
Sharon McQuillan	10	10	-	-	1	1
Joan McCaffrey[1]	10	10	4	4	-	-
Mark McBride	10	10	4	4	1	1
Paul Francey[1]	10	10	-	-	1	1
JJ Tohill[1]	10	10	-	-	1	1
Peter Moore[3]	5	5	-	-	-	-
Shane McCurdy[3]	5	5	-	-	-	-
Alan Law[3]	5	5	-	-	-	-
Kenneth Clayton[3]	5	5	-	-	-	-
Michael Rafferty[1]	10	10	3	3	-	-
Antoinette McMillen[1]	10	10	3	3	-	-
Average % Attendance		100%		100%		100%

[1]Term of membership commenced 1 April 2020.
[2]Term of membership ended 30 September 2020.
[3]Term of membership commenced 1 October 2020.

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

All Committee Members must attend On-Board training and are encouraged to meet an annual target of 40 hours continual professional development.

Relevant training opportunities are highlighted to Committee Members and Committee training is organised to meet training needs identified through the training needs self-assessment. Training records are maintained and updated on a quarterly basis. An investment training day was held on 13 October 2020 to provide new members with training on the fundamentals of investing.

2.2 The Audit and Risk Assurance Committee (ARAC)

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

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

- Quarterly review of the Risk Register and system of internal control
- Fraud and Raised Concerns reports
- Internal audit reports and annual opinion
- Progress against internal audit recommendations
- New or revised governance policies
- Departmental Assurance Statements
- Department of Finance (DoF) and Departmental guidance (e.g. 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 2021 up to the date of approval of the Annual Report and Accounts, which accords with Department of Finance guidance. A full description of NILGOSC's risk management process and the assessment of risks during 2020/21 is provided in section 6 of this Statement.

2.4 Corporate and Business Planning

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

NILGOSC commenced its last strategic review in April 2018, which concluded in September 2018 with the agreement of its revised Vision, Mission, Values, Strategic Aims and Objectives. The revised strategy was used in the development of the Corporate Plan 2019/20-2021/22. The Committee met on 21 May 2021 to consider its next strategic review, the outcome of which was considered and agreed by the Committee at its meeting on 22 June 2021 and will be used to inform the development of future corporate objectives.

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

No significant actual or potential conflicts of interest were identified during 2020/21.

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

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

One of the new requirements of the Code was the introduction of reporting breaches of the law to TPR. NILGOSC developed and implemented a Breach Reporting Procedure for the assessment and reporting of breaches. Any identified breaches were assessed in line with this during 2020/21 but none were considered materially significant, so no breaches were reportable to TPR during the reporting period.

On 17 March 2021, TPR issued its new draft Code of Practice for consultation. TPR plans to replace its existing codes of practice, including Code of Practice 14 for Public Sector Pension Schemes, with this single code, which will be web-based. NILGOSC submitted its response to the consultation on 20 May 2021. When the new Code is published, NILGOSC will undertake a gap analysis for compliance against the new and/or revised requirements for public sector pension schemes.

5. Departmental Approvals

In line with the DoF Pay Remit approval process NILGOSC received approval for the contractual element of the 2021/22 pay remit on 22 March 2021. The National Joint Council pay settlement for 2021/22 remains outstanding at the time of writing.

Under its delegations of authority NILGOSC sought and received approval from its sponsor department, DfC, on 11 June 2021 for the write off of a single pensioner overpayment in excess of £500 (£2,503) as a result of a death which was deemed irrecoverable.

On 30 June 2020 NILGOSC was directed by the Department to undertake all procurement for contracts valued between £5k and £30k through the Department's Central Procurement Team and to use Central Procurement Directorate as its Centre for Procurement Excellence for other procurements.

6. Risk Assessment

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

The risk control framework provided a consistent basis to identify, monitor and report risks and to progress strategies to manage these risks during 2020/21. A dedicated risk owner is assigned at management level to each risk to provide clear lines of accountability across the organisation. Risk owners review the risks that have been assigned to them on a quarterly basis and submit a Statement of Assurance to confirm that the existing controls are still effective and whether or not the risk score needs to be re-assessed. The SMT considers these Statements during its quarterly review of the Risk Register and makes changes to the risk scores, if necessary. A report and any revisions to the Risk Register are considered by the ARAC prior to submission to the Management Committee for approval.

The outcome of the quarterly risk reviews is also used to inform completion of Departmental Assurance Statements. As required, NILGOSC completed and submitted its Assurance Statements for the 6 months ended 30 September 2020 and 31 March 2021.

As a result of the 2020/21 annual risk review, a COVID-19 Risk Register was created to sit alongside the Corporate Risk Register and was subject to the normal risk review and reporting process. The quarterly risk reviews and subsequent reports provided during 2020/21 resulted in the addition of a new risk to the COVID-19 Risk Register, an amendment to the wording of one of the COVID-19 specific risks and a reduction in the risk score of another COVID-19 specific risk. These changes to the COVID-19 Risk Register were approved by the Management Committee. There were no changes to the Corporate Risk Register during the reporting period.

In addition to quarterly reviews of the Risk Register, a comprehensive annual review of the risk register is undertaken at the beginning of the financial year to review the existing risks and also to identify any new or emerging risks. The annual review for 2021/22 was carried out on 26 April 2021. The review included consideration of challenges facing NILGOSC in 2021/22, including the ongoing impact of COVID-19, ongoing uncertainty of the external political environment, regulatory changes, including the impact of the McCloud judgment and potential cost cap implications and ongoing projects to enhance information systems and business processes. All existing risks were reviewed, and risk scores amended as appropriate.

In relation to COVID-19 specifically, it was acknowledged that significant progress has been made over the last 12 months to manage the impact and that, whilst some COVID-19 specific risks remain over the next 12 months, others had not materialised and the long-term risk could be managed within existing risks on the Risk Register. Therefore, as a result of the review, three risks were removed from the Risk Register and six from the COVID-19 Risk Register. Two new risks (one operational and one investment) were added to the Risk Register and three COVID-19 specific risks were moved to the Risk Register to be managed in line with normal risk review procedures. The 2021/22 Risk Register contains 52 risks in total, nine of which have been categorised as strategic and four of which have a "red" risk status.

Despite the significant operational challenges that COVID-19 and associated restrictions placed on the organisation, NILGOSC continued to operate and provide a full and effective service to its members and pensioners throughout the last 12 months and made good progress during 2020/21 in addressing those risk issues identified at the beginning of the year, including office reconfiguration and enhancing IT infrastructure to facilitate working from home where possible, successful procurement of a pensions administration software system, design and implementation of a new accessible website, progression of projects and achievement of Cyber Essentials Plus certification.

Looking forward to 2021/22, NILGOSC will continue to have several challenges to manage as detailed above, particularly with ongoing uncertainty around the long-term impact of the pandemic and the additional administrative burden as a result of the McCloud judgment. These challenges and any new or emerging risks will be reviewed on an ongoing basis through the risk management process set out above and appropriate plans will be put in place to effectively manage any risks within the existing risk and internal control framework.

6.1 Business Continuity

NILGOSC has a Business Continuity Plan (BCP) and disaster recovery arrangements in place, which it formally tests on an annual basis. NILGOSC has made a number of enhancements to its IT infrastructure in the last number of years to improve disaster recovery, including virtualisation of systems and enhanced replication services. These were successfully tested in 2020 as NILGOSC completed a number of scenario tests to ensure critical services could continue to operate in preparation for the potential impact of COVID-19 on the workforce. This risk has continued to be present throughout the last 12 months so, like for many organisations, 2020/21 was a constant test of business continuity for NILGOSC.

The ability to continue to operate and deliver a service within the government restrictions was reliant on having the appropriate IT infrastructure, systems, hardware and security in place. There was a significant increase in demand for laptops and VPN access to allow for remote working and a quick roll-out of MS Teams and One Drive to facilitate team working and collaboration. Given these changes during the year, the agreed focus of the annual business continuity test was on the security of the IT infrastructure. In December 2020, NILGOSC signed up to take part in a project with the National Cyber Security Centre for Northern Ireland to attain Cyber Essentials Plus certification by the end of March 2021. This is a government backed scheme that provides assurance that an organisations' IT infrastructure is set up and configured appropriately to guard against the most common cyber threats. An external assessor was appointed to assess NILGOSC against a range of requirements under five technical control themes. The assessment took place in March 2021 – no issues were identified and NILGOSC was awarded certification on 1 April 2021.

NILGOSC also appoints an external expert to undertake independent penetration tests of its internet facing and other systems within the perimeter network on an annual basis. This is in order to test the robustness of the IT infrastructure in place, including the firewall, to protect NILGOSC's systems from external attack. This year the assessor was requested to robustly test the VPN connections given the increase in traffic over the last 12 months. No significant issues were identified as a result of the tests undertaken in March 2021 with only some minor areas for improvement to be taken forward.

6.2 Fraud and Whistleblowing

NILGOSC participates in the National Fraud Initiative's (NFI) biennial data matching exercises for the purposes of assisting in the prevention and detection of fraud. NILGOSC took part in the NFI 2020/21 data matching exercise during the year. Matches were received in January 2021 and significant progress has been made in investigating and resolving these matches. No cases of actual or suspected fraud have been identified through the exercise to date. An update in relation to the NFI exercise is provided in the Performance Report on page 24.

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. During 2020/21, one new case of suspected fraud was reported in line with the Policy and NILGOSC continued to provide updates to the Department on a previously reported case.

During the year, NILGOSC replaced its Whistleblowing Policy with a Raising Concerns Policy, following updated guidance from the Northern Ireland Audit Office. This policy was approved by the Management Committee in February 2021 and subsequently circulated to staff and made available on the NILGOSC website. There were no instances of whistleblowing or raised concerns during 2020/21.

6.3 Information Risks

NILGOSC takes information security seriously and operates a strong control environment for the handling of personal data to ensure compliance with relevant data protection legislation. A robust Information Security Policy, technical safeguards and procedures are in place to protect the security of information. NILGOSC has a secure email software platform in place to ensure that personal information held by external parties is sent securely and penetration testing is carried out to ensure the security of internal and external connections to NILGOSC systems. Further developments were made during the year to enhance the information security measures in place to protect data, including upgrading of switches and achievement of Cyber Essentials Plus certification.

Data protection and information security is a key part of induction training for all new staff, which is signed off on completion. Refresher training is also provided on a regular basis via an e-learning module. In line with the requirements for a public body, NILGOSC also has a nominated Data Protection Officer who is an accredited GDPR Practitioner.

A number of minor personal data incidents or potential breaches were identified in 2020/21. None of these breaches constituted a significant breach of sensitive data, in accordance with the Information Commissioner's Office guidance. An update in relation to personal data related incidents in 2020/21 is provided in the Accountability Report on page 66.

7. Review of Effectiveness of the Governance Framework

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

7.1 Highlights of Committee and ARAC Meetings

The standing agenda items for Committee meetings have been set out in section 2.1 above. In addition to these, other important areas considered/approved by the Committee during 2020/21 are set out below:

- Briefing updates on COVID-19 pandemic response
- Sub-Committee appointments and appointment of Deputy Chairperson to Management Committee and appointment of Chairperson to Staffing Committee
- Statement of Responsible Investment
- Business case and procurement process for the Pensions Administration system
- Management Statement and Financial Memorandum
- Annual Report of the Staffing Committee
- Staff Code of Conduct
- Business case for continued use of disaster recovery site
- Review of actuarial funding level
- Appointment of the Investment Advisor
- Performance assessment of Investment Advisor
- Appointment of Pensions Administrations Software provider
- NILGOSC's response to Departmental consultation on McCloud judgment
- Business case for design and print services
- Raising Concerns Policy
- Investment in Copenhagen Infrastructure Partners Fund IV
- Business case for a new finance system
- Review of Investment Monitoring Guidelines
- Staffing Committee Terms of Reference

The standing agenda items considered by the ARAC have particular importance in ensuring that the risk management and internal control systems in NILGOSC are sound and operating effectively. The highlights and key issues considered by the ARAC during 2020/21 are set out in its Annual Report, which is provided on pages 136 to 139 of this report.

The ARAC undertakes an annual review of its effectiveness. The review undertaken for 2020/21 demonstrated that, overall, the ARAC had been effective in ensuring that NILGOSC has functioned according to good governance and accounting and auditing standards and has adopted appropriate risk management arrangements during the period under review.

7.2 Committee Performance

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

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

The outcome of the evaluation for 2020/21 demonstrated that, overall, the Committee is set up and operates effectively in the key areas set out above and that effective processes are in place to ensure robust monitoring of NILGOSC and its performance.

7.3 Provision of Information and Data to the Committee

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

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

Each report has an executive summary that summarises the key issues and meeting papers are issued one week in advance of each meeting. During its review of effectiveness in 2020/21, all the Committee Members agreed that meeting papers are concise, timely, relevant, and focused on priorities. All Committee Members also agreed that they are provided with key Scheme and corporate documents.

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

7.4 Internal Audit

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

In their Annual Assurance Statement, the Internal Auditors stated that, during the twelve month period ended 31 March 2021, NILGOSC's systems in relation to risk management, control and governance were adequate and operated effectively, thereby providing satisfactory assurance in relation to the 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 and Risk Assurance Committee, which is provided separately in this document on page 137. 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 2021.

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 and Risk Assurance Committee. The outcome of the KPI analysis for 2020/21 demonstrated that ASM met or exceeded 14 of the 15 agreed KPI targets, which equates to 93%, demonstrating excellent performance for the period.

In March 2021, NIGOSC was advised that the Department had appointed the Chartered Institute of Internal Auditors to undertake an external quality assessment of the internal audit provision of its arms-length bodies. NILGOSC provided all the relevant documentation and facilitated interviews in March 2021 to inform the assessment of ASM. The outcome of the assessment is that ASM "generally conform" with the Public Sector Internal Audit Standards, which is the highest rating possible.

7.5 External Audit

As a non-departmental public body, NILGOSC is required by statute to use the NIAO for the provision of its external audit service. The Local Government Auditor issued an unqualified audit opinion for the year ended 31 March 2020.

The audit opinion for the year ended 31 March 2021 is included on pages 85 to 88.

8. Significant Governance Issues

No significant governance or internal control issues were identified from the review of the effectiveness of the system of risk, governance and internal control for the year ended 31 March 2021 that requires reporting in this Statement.

9. Assurance Summary

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

The review of the effectiveness of the systems and processes that comprise the governance framework for 2020/21 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 A Murphy

David Murphy
Chief Executive and Secretary

25 August 2021

Accountability Report

REMUNERATION AND STAFF REPORT

INTRODUCTION

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

REMUNERATION REPORT

Remuneration Policy

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

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

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

Service Contracts

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

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

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

Salary and Pension Entitlements

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

Senior Management Remuneration and Pension Entitlements (audited)

Officers	2020/21 Salary	2020/21 Benefits in Kind	2020/21 Pension Benefits	2020/21 Total	2019/20 Salary	2019/20 Benefits in Kind	2019/20 Pension Benefits	2019/20 Total
	£	£	£	£	£	£	£	£
David Murphy Chief Executive and Secretary	95,001-100,000	-	44,769	140,001-145,000	90,001-95,000	-	30,894	120,001-125,000
Nicola Todd Deputy Secretary	80,001-85,000	-	39,669	120,001-125,000	80,001 - 85,000	-	33,331	115,001-120,000
Band of Highest Paid Employee's								
Total Remuneration	£95,001-£100,000				£90,001-£95,000			
Median Total Remuneration	£24,491				£23,836			
Ratio	3.98				3.88			
Range of Staff Remuneration	£18,500 – £97,500				£18,000 – £92,500			

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). Inflation is included in the real increase in pension benefits accrued during 2020/21. The CPI increase for September 2020 was 0.5%. The in-service revaluation rate for CARE was also 0.5%.

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

Chair	2020/21 Salary	2020/21 Benefits in Kind	2019/20 Salary	2019/20 Benefits in Kind
	£	£	£	£
Lindsay Todd	14,233	-	12,697	-
Tom Irvine	-	-	1,154	-

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 2020/21 was £95,001-£100,000 (2019/20 £90,001-£95,000). This was 3.98 times (2019/20, 3.88) the median remuneration of the workforce, which was £24,491 (2019/20, £23,836).

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

The ratio of 3.98 for 2020/21 indicates a marginal increase on the prior year which is largely driven by the band threshold increase for the highest-paid employee rather than any reversal of the recent trend of NJC pay award settlements which were proportionally higher for the lowest paid employees. 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.

Management Committee Members' Attendance Allowance

The Committee members, with the exception of the Chairman, receive a meeting fee for attending Management Committee, Audit and Risk Committee and Staffing Committee meetings. The meeting fee allowance increased from £123 to £250 from 1 October 2019.

Details of meeting allowances claimed by Committee members, which may differ from meeting attendance reported in the Governance Statement, are captured in the following table:

	2020/21	2019/20
Committee Members	**£**	**£**
Joan McCaffrey	4,500	4,107
Mark McBride	4,500	4,611
Paul Francey	5,250	-
JJ Tohill	1,000	-
Michael Rafferty	4,500	-
Antoinette McMillen	3,750	-
Peter Moore*	3,000	-
Shane McCurdy*	-	-
Alan Law*	2,500	-
Kenneth Clayton*	3,000	-
Linda Neilan	5,500	3,107
Sharon McQuillan******	5,250	1,730
Peter McMurray**	1,250	2,611
Peter Caldwell**	2,500	2,861
David Jackson**	1,500	1,992
Tom Irvine**	1,750	4,353
Paddy Mackel***	-	2,615

* Term of appointment commenced 1 October 2020
** Term of appointment ended 30 September 2020
*** Member resigned from Committee 1 May 2020
**** Ill-health absence in 2019/20

Pension Benefits (audited)

Officers	Accrued Pension and Related Lump Sum at Age 65 as at 31/03/21	Real Increase in Pension and Related Lump Sum at Age 65	CETV at 31/03/21	CETV at 31/03/20	Real Increase in CETV
	£	£	£	£	£
David Murphy Chief Executive and Secretary	35,001-40,000 plus lump sum of 55,001-60,000	2,501-5,000 plus lump sum of 0-2,500	677,000	629,000	42,000
Nicola Todd Deputy Secretary	25,001-30,000 plus lump sum of 20,001-25,000	0-2,500 plus lump sum of 0-2,500	348,000	313,000	28,000

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

Employees currently pay contributions of between 5.5% - 10.5% of pensionable earnings. Pensions increase annually in line with the Consumer Price 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 age 65 or state pension age if higher.

Cash Equivalent Transfer Values

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

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

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

Real increase in CETV

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

McCloud Remedy

Discrimination identified by the courts in the way the 2015 pension reforms were introduced must be removed by the Department for Communities. It is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period. This is known as the 'McCloud Remedy' and will impact many aspects of the LGPS(NI).

More information on the McCloud remedy can be found on the NILGOSC website:

https://nilgosc.org.uk/employers/administering-the-scheme/mccloud-remedy/

STAFF REPORT

Staff Numbers and Related Costs (audited)

Staff costs comprise:

	Permanently employed staff	Others	2020/21	2019/20 Total
	£'000	£'000	£'000	£'000
Wages and salaries	2,144	178	2,322	2,216
Social security costs	176	16	192	195
Other pension costs	800	31	831	1,080
Total	3,120	225	3,345	3,491

	Permanently employed staff	Others	2020/21 Total	2019/20 Total
Directly employed	72	7	79	77
Total	72	7	79	77

The figures recorded for the average number of persons employed uses the whole-time equivalent persons employed during the year.

The slight increase in the average number of whole-time equivalent persons employed during the year is mainly as a result of maternity cover for a number of senior roles during 2020/21.

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

For 2020/21, employers' contributions were payable to the NILGOSC Scheme at 19.5% of pensionable pay. The Scheme's Actuary reviews employer contributions every three years following a full scheme valuation. The last valuation was conducted during 2019/20 and the contributions to be paid until 31 March 2023 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate within the report on the Actuarial Valuation as at 31 March 2019.

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

Staff Composition

An analysis of the composition of staff members as at 31 March 2021 and 31 March 2020 on a whole-time equivalent basis is provided in the following table:

			31/3/21			31/3/21
	Male	**Famale**	**Total**	Male	Female	Total
Secretariat	**1**	**1**	**2**	1	1	2
Senior Manager	**-**	**5**	**5**	-	5	5
All Other Emplyees	**25**	**46**	**71**	30	40	70
Total	**26**	**52**	**78**	31	46	77

Sickness Absence

The average number of days lost to sickness absence by all staff in 2020/21 was 7.3 days (2019/20: 6.2 days).

Staff Turnover

The staff turnover rate in NILGOSC during 2020/21 was 11.98% (2019/20: 16.77%).

Equality and Diversity

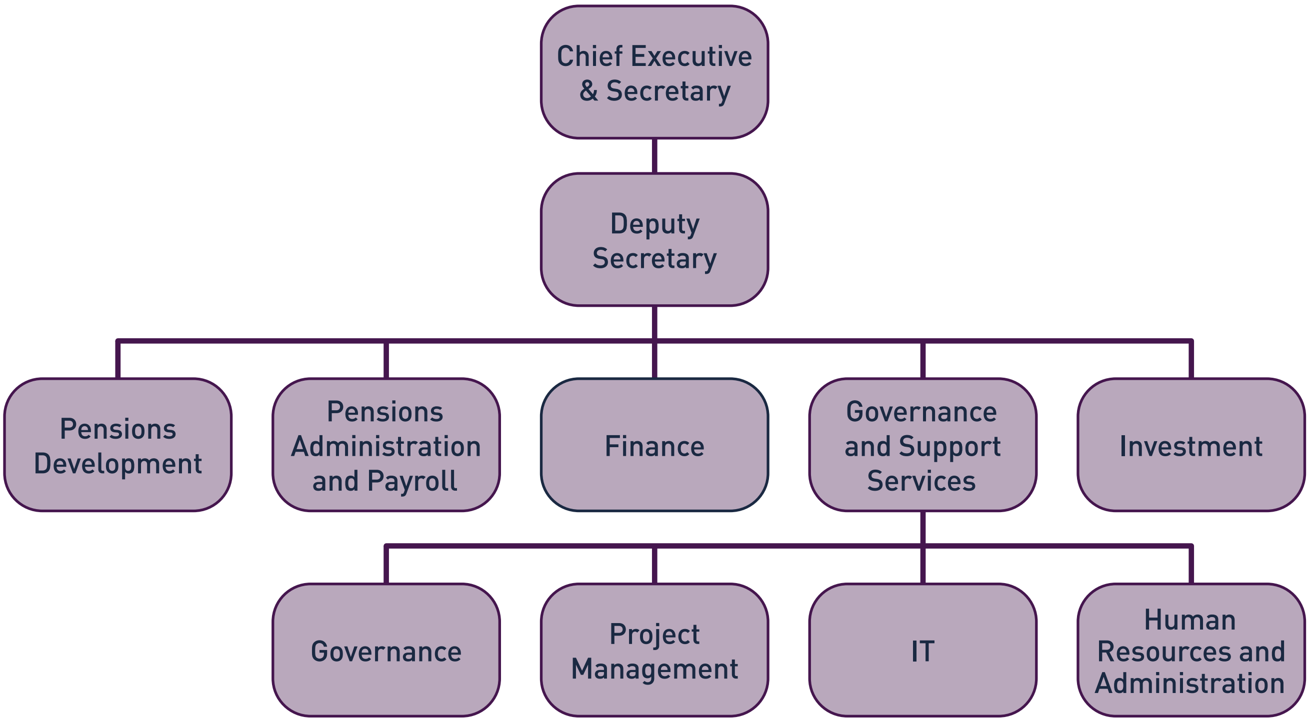
It is the policy of NILGOSC to ensure that equality of opportunity is provided to all employees and those seeking employment. A welcome statement is used on recruitment advertising to encourage recruitment from a diverse range of applicants and from groups under-represented in the workforce; and full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

Expenditure on consultancy

There was no expenditure on consultancy services during 2020/21 (2019/20: nil).

Staff

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



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

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

Staff Development

Training and development of staff is a key priority for NILGOSC and in 2020/21 a budget of 2.5% of salary costs was allocated to this particular area. Significant emphasis is placed on training and developing staff through a structured training programme. A needs analysis is carried out every year as part of the appraisal process and an organisation wide training programme is prepared.

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

In 2020/21 training and development opportunities were significantly curtailed by pandemic related restrictions, particularly in the first half of the year, resulting in a much lower than usual amount undertaken. This had been somewhat addressed by the end of 2020/21 when providers of training and development services had largely transferred to virtual training with 'live' and recorded sessions available online.

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 2020/21 as an additional means of internal communication. Staff are encouraged to take part in project groups where possible to promote employee engagement and to develop knowledge and skills. In addition, staff are involved in the preparation of the annual Corporate Plan. The employees have also elected a Staff Forum which can bring concerns or suggestions for improvement directly to senior management.

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

Accountability Report

ASSEMBLY ACCOUNTABILITY REPORT

INTRODUCTION

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

LOSSES AND SPECIAL PAYMENTS (audited)

Losses Statement

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

Losses incurred during the year in respect of pension overpayments total £8,714. This figure reflects pensioner overpayments as a result of death which are not considered recoverable and includes one overpayment of £2,503 for which write off approval was sought from DfC and was provided 11 June 2021.

Special Payments

There were no special payments during the year.

Charitable Donations

NILGOSC made no charitable donations during the year.

FEES AND CHARGES (audited)

NILGOSC had no material fees and charges income during 2020/21 (2019/20: nil).

REMOTE CONTINGENT LIABILITIES (audited)

In addition to contingent liabilities reported within the meaning of IAS 37 (see Note 22 to the Financial Statements) NILGOSC also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability.

NILGOSC has no remote contingent liabilities as at 31 March 2021 (2019/20: no remote contingent liabilities).

David A Murphy

David Murphy
Chief Executive and Secretary

25 August 2021

ACCOUNTABILITY REPORT AUDIT REPORT

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE

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

Opinion on financial statements

I have audited the financial statements of the Northern Ireland Local Government Officers' Superannuation Committee ("NILGOSC") for the year ended 31 March 2021 under Regulation 63 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014. The financial statements comprise: the Fund Account, Net Assets Statement, Statement of Cash Flows and the related notes, including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and 'International Financial Reporting Standards as adopted by the European Union and interpreted by the Government Financial Reporting Manual'.

I have also audited the information in the Remuneration and Staff Report and Assembly Accountability Report described in those reports as having been audited. In my opinion the financial statements:

- give a true and fair view of the state of the NILGOSC's affairs as at 31 March 2021 and of the net increase in the Scheme during the year and of the amount and disposition at that date of its assets and liabilities other than liabilities to pay benefits after the Scheme year end; and
- have been properly prepared in accordance with the Regulation 63 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014 and Department for Communities (DfC)directions issued thereunder.

Opinion on regularity

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

Basis for opinions

and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate.

My staff and I are independent of NILGOSC in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2019, and have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that NILGOSC's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the NILGOSC's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

The going concern basis of accounting for NILGOSC is adopted in consideration of the requirements set out in the Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

My responsibilities and the responsibilities of the Management Committee and the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements, the parts of the Remuneration and Staff Report and Assembly Accountability Report described in that report as having been audited, and my audit certificate and report. The Management Committee and the Accounting Officer are responsible for the other information included in the annual report. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

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

Statement about contributions payable

In my opinion the contributions payable to NILGOSC during the year ended 31 March 2021 have in all material respects been paid in accordance with the rules of the Scheme and with the recommendations of the actuary.

Matters on which I report by exception

In the light of the knowledge and understanding of the NILGOSC and its environment obtained in the course of the audit, I have not identified material misstatements in the Remuneration and Staff Report and Assembly Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

Responsibilities of the Management Committee and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Management Committee and the Accounting Officer are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud of error;
- assessing the NILGOSC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by NILGOSC will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is audit the financial statements in accordance with the Local Government Pension Scheme Regulations (Northern Ireland) 2014.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the NILGOSC through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included governing legislation and any other relevant laws and regulations identified;
- making enquires of management and those charged with governance on NILGOSC's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of NILGOSC's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: management override of controls;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;

- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:
  - performing analytical procedures to identify unusual or unexpected relationships or movements;
  - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
  - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
  - investigating significant or unusual transactions made outside of the normal course of business.

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

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

Report

I have no observations to make on these financial statements.

Colette Kane

Colette Kane
Local Government Auditor
Northern Ireland Audit Office
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BELFAST
BT8 6RB

2 September 2021

Financial Statements

FUND ACCOUNT

Year ended 31 March 2021

	Note	2020/21	2019/20
		£'000	£'000
Contributions and benefits			
Contributions receivable	4	**288,900**	306,588
Transfers in		**6,831**	12,057
		295,731	318,645
Benefits	5	**(260,361)**	(264,288)
Payments to and on account of leavers	6	**(5,216)**	(4,363)
Administration expenses	7	**(5,061)**	(5,268)
		(270,638)	(273,919)
Net additions from dealings with members		**25,093**	44,726
Return on investments			
Investment income	8	**131,877**	148,974
Change in market value of financial investments	9	**1,792,043**	(294,035)
Losses arising from changes in fair values of investment properties	10	**(3,142)**	(38,319)
Investment management expenses	11	**(25,473)**	(23,580)
Net return on investments		**1,895,305**	(206,960)
Net increase/(decrease) in the Scheme during the year		**1,920,398**	(162,234)
Remeasurement (losses)/gains on the retirement benefit obligation	18	**(2,818)**	192
		(2,818)	192
Opening net assets of the Scheme		**7,877,906**	8,039,948
Closing net assets of the Scheme		**9,795,486**	7,877,906

The notes on pages 94 to 129 form part of these financial statements.

NET ASSETS STATEMENT

As at 31 March 2021

	Note	2020/21	2019/20
		£'000	£'000
Non-current assets			
Financial assets	9	**9,047,447**	7,122,427
Investment properties	10	**715,355**	725,465
Intangible assets	12	**165**	139
Property, plant and equipment	13	**1,241**	1,267
Revaluation reserve	14	**-**	(77)
Total non-current assets		**9,764,208**	7,849,221
Current assets			
Trade and other receivables	15	**52,188**	44,656
Cash and cash equivalents	16	**9,940**	13,683
Total current assets		**62,128**	58,339
Total assets		**9,826,336**	7,907,560
Current liabilities			
Trade and other payables	17	**(22,330)**	(24,453)
Total current liabilities		**(22,330)**	(24,453)
Non-current assets plus net current assets		**9,804,006**	7,883,107
Non-current liabilities			
Retirement benefit obligations	18	**(8,520)**	(5,201)
Total non-current liabilities		**(8,520)**	(5,201)
Total net assets of the Scheme		**9,795,486**	7,877,906

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Committee. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in Note 20 and the Actuarial Statement on pages 130 to 132 and these financial statements should be read in conjunction with it.

The notes on pages 94 to 129 form part of these financial statements.

David Murphy
Secretary
25 August 2021

STATEMENT OF CASH FLOWS

For the Year Ended 31 March 2021

	2020/21	2020/21	2019/20	2019/20
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Net increase/(decrease) in the Scheme during the year	**1,920,398**		(162,234)	
Adjustments for non-cash transactions				
Change in market value of investments and (gains)/losses arising from changes in fair value of investment properties	**(1,788,901)**		332,354	
Depreciation/amortisation	**177**		185	
IAS 19 pension cost less contributions payable	**501**		737	
Loss on revaluation of property, plant & equipment	**29**		-	
Adjustments for movements in working capital				
Increase in trade and other receivables	**(7,532)**		(7,055)	
(Decrease)/Increase in trade and other payables	**(2,123)**		2,778	
Net cash inflow from operating activities		**122,549**		166,765
Cash flows from investing activities				
Purchase of property, plant & equipment and intangible assets	**(283)**		(167)	
Purchase of investment properties	**(2,766)**		(3,043)	
Purchase of investment assets	**(14,644,973)**		(17,436,448)	
Proceeds of disposal of investment properties	**9,734**		6,969	
Proceeds of disposal of investment assets	**14,511,996**		17,273,327	
Net cash outflow from investing activities		**(126,292)**		(159,362)
Net (decrease)/increase in cash and cash equivalents		**(3,743)**		7,403
Cash and cash equivalents at the beginning of the year		**13,683**		6,280
Cash and cash equivalents at the end of the year		**9,940**		13,683

The notes on pages 94 to 129 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

1. Financial Statements Preparation

1.1. Basis of accounting

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997, as amended, the Local Government Pension Scheme Regulations (Northern Ireland) 2014, as amended, guidance set out in the 2020/21 Government Financial Reporting Manual (FReM) issued by the Department of Finance, and the Accounts Direction issued by the Department for Communities.

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

The financial statements are prepared on an accruals basis.

1.2. Going concern

The Committee have no intentions to wind up the scheme. The time period that the Committee have considered in evaluating the appropriateness of the going concern basis in preparing these financial statements is a period of twelve months from the date of approval of these financial statements.

It is expected that cash inflows from contributions and other receipts will be sufficient to cover scheme outlays for a period of at least 12 months from the date of signing the financial statements. In addition, as noted on page 92, the scheme has significant investment assets which can be liquidated, if required. As such it is considered appropriate to prepare the financial statements on a going concern basis.

1.3. Functional and presentation currency

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

2. Accounting policies

2.1. Contributions

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

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

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

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

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

2.2. Additional Voluntary Contributions (AVCs)

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

2.3. Payments to members

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

2.4. Transfers to and from other schemes

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

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

2.4. Transfers to and from other schemes (continued)

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

2.5. Administration and other expenses

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

2.6. Investment income

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

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

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

2.7. Investment management expenses

Investment management expenses are accounted for on an accruals basis.

External investment management and custodian fees are agreed in management or custody agreements governing the administration of the individual mandates.

Fees are generally based on the valuation of the underlying investments and, as such, will fluctuate as the valuations change.

Performance related fees were introduced for one investment manager in January 2021. There were no performance related fees due in 2020/21.

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

2.8. Investment transaction costs

Investment costs deducted at source are recognised within investment management expenses within the Fund Account.

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

2.9. Taxation

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

2.10. Valuation of financial assets

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

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

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

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

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

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

f) Derivatives are stated at fair value.

- Exchange traded derivatives are stated at fair value determined using market quoted prices.
- Swaps are valued taking the current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.
- Over The Counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the year end date.
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- All gains and losses arising on derivative contracts are reported within 'Change in Market Value'. Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.

2.11. Investment properties

Investment properties are valued annually by independent chartered surveyors (BNP Paribas Real Estate), in accordance with the RICS Appraisal and Valuation Manual, who have recent experience of the types of properties held by the Scheme, taking account, amongst other things, of the current estimate of rental values and market yields.

The carrying amounts of these assets approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2.12. Intangible assets – software intangibles

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

2.13. Property, plant and equipment

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

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

2.14. Depreciation of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated Useful Economic Life (UEL). Property assets have a UEL of 25 years, plant and equipment have a UEL of 5 years and computer equipment a UEL of 3 years.

2.15. Financial instruments

(i) Recognition and initial measurement

Financial assets and liabilities at Fair Value Through Profit/Loss (FVTPL) are initially recognised on the trade date, which is the date on which NILGOSC becomes a party to the contractual provision of the instrument. Other financial assets and liabilities are recognised on the date on which they are originated.

(ii) Classification

<u>Financial assets</u>

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

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

2.15. Financial instruments (continued)

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

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

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

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

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

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

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

Financial liabilities

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

(iii) Subsequent measurement

Subsequent measurement details are set out in the following table:

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

(iv) Fair value measurement

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

When available, the fair value of an instrument is measured using the quoted price in an active market for that instrument.

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

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

2.15. Financial instruments (continued)

(v) Amortised cost measurement

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

(vi) Impairment

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

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

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

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

(vii) Derecognition

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

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

2.16. Foreign currencies

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

2.17. Retirement benefit obligations

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

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

2.18. Actuarial present value of promised retirement benefits

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

The actuarial position of the Scheme, which does take account of such obligations is dealt with in Note 20 on page 126 and the Actuarial Statement on pages 130 to 132. The actuarial present value of promised retirement benefits, valued on a basis consistent with IAS 19, is disclosed in Note 20 of these financial statements.

2.19. Use of estimates and judgements

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

2.19. Use of estimates and judgements (continued)

The outbreak of COVID-19, declared by the WHO as a "Global Pandemic" on the 11 March 2020 continues to impact global financial markets as at 31 March 2021.

Management has considered all information currently available, including the exposure of underlying assets and sensitivity of valuations to COVID-19, and concluded that the valuations provided by third party experts as at 31 March 2021 are appropriate for financial statement purposes.

IFRS 9 Application Judgements

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

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

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

Unquoted Private Equity and Infrastructure Investments

The valuation of unquoted private equity and private debt investments is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. The valuation of unquoted infrastructure investments is based on the latest fund manager valuations, adjusted for transactions arising after the date of such valuations. There is a risk that these investments may be under or overstated in the financial statements.

NILGOSC reviews the performance and independent audit opinion in respect of each infrastructure investment as part of its own periodic NAV assessment.

This NAV assessment includes consideration of each underlying non-traded asset in each infrastructure fund in terms of the valuation method, liquidity of same and any independent corroboration of NAV to comparable traded valuations or disposal receipts.

Fair Value of Investment Properties

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

IAS 19 Retirement Benefit Obligation

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

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

The International Accounting Standards Board has issued a number of new standards applicable for 2021/22. The following standards have been reviewed and have been given consideration as to their impact on NILGOSC's financial statements.

IFRS 16 Leases (effective 1 January 2019 with FReM application in 2021/22): IFRS 16 introduces a single on balance sheet lease accounting model for lessees. NILGOSC has considered its operating lease commitments and has concluded that the adoption of IFRS 16 is not expected to have a material impact on the 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 91 and the Net Assets Statement on page 92.

4. Contributions Receivable

	2020/21	2019/20
	£'000	£'000
Employers		
normal	**213,939**	211,421
deficit recovery *	**2,540**	18,493
early retirement funding **	**4,877**	11,509
special contributions ***	**75**	30
Employees		
normal	**67,469**	65,135
	288,900	306,588

* Deficit recovery streams ceased for all employers in the Main group of the LGPS(NI) from 1 April 2020 reflecting the net surplus position of the Fund following the latest triennial actuarial valuation as at 31 March 2019.

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

*** Special contributions include payments made to the Fund by specific employing authorities in addition to the minimum % contribution certified by the Actuary and include strain on fund payments, deficit recovery on closure or staff transfers and cessation payments. This figure includes £11k relating to cessation debt written off in 2018/19 subsequently recovered in 2020/21.

5. Benefits

	2020/21	2019/20
	£'000	£'000
Pensions *	**209,197**	198,821
Commutations and lump sum retirement benefits	**45,127**	59,525
Lump sum death benefits	**6,037**	5,942
	260,361	264,288

* In addition, £4.083m of agency compensation pensions were paid on an agency basis and recharged to employing authorities (2019/20: £4.185m). These payments relate to compensation benefits which, under applicable regulations, cannot be paid from the Fund and for which NILGOSC acts as a paying agent only. Accordingly, these transactions have not been reflected in these financial statements.

6. Payments to and on account of leavers

	2020/21	2019/20
	£'000	£'000
Refund to members leaving service	**899**	984
Payment for members joining state scheme	**(19)**	(5)
Transfers to other schemes	**4,336**	3,384
	5,216	4,363

7. Administration expenses

	2020/21	2019/20
	£'000	£'000
Staff costs	**3,345**	3,491
Office overheads	**794**	760
Depreciation and amortisation (notes 12 & 13)	**177**	185
Communication	**192**	223
Other administration	**141**	169
Templeton House revaluation (note 14)	**29**	-
Actuarial fees	**7**	96
Internal audit fees	**30**	27
External audit fees	**36**	33
Legal and other professional fees	**122**	82
Medical fees	**73**	91
IAS19 net interest cost (note 18)	**115**	111
	5,061	5,268

8. Investment income

	2020/21	2019/20
	£'000	£'000
Interest income from fixed income securities	67,398	73,113
Dividends from equities	19,609	29,887
Index linked securities	790	996
Derivatives *	2,210	(2,078)
Pooled investment vehicles	2,999	1,947
Infrastructure/private equity investment distributions	2,232	2,758
Net rents from properties	36,477	36,932
Interest on deposits	199	3,543
Stock lending income	543	2,390
Other income	68	39
	132,525	149,527
Irrecoverable withholding tax	(648)	(553)
Total Investment Income	131,877	148,974

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

Stock lending income

The Fund's securities lending programme continued during the year ended 31 March 2021. The main features of the programme are:

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

As at 31 March 2021, there were securities amounting to £346,575,121 on loan against collateral of £367,239,985 (2019/20: securities amounting to £303,161,997 were on loan against collateral of £328,696,500).

9. Financial assets

Movement in investments and derivatives

	Value at 01 04 2020	Purchases at cost	Sales proceeds	Reclass'n on Transition	Change in market value	Value at 31 03 2021
	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000
Fixed income securities	1,767,185	10,963,964	(10,709,192)	-	57,418	**2,079,375**
Equities	1,395,345	1,016,304	(1,272,539)	(374,782)	775,960	**1,540,288**
Index-linked securities	223,744	1,387,290	(1,241,078)	-	(6,193)	**363,763**
Pooled investment vehicles	3,109,182	778,704	(610,180)	374,782	772,583	**4,425,071**
Derivative contracts	(82,539)	467,049	(525,268)	-	176,259	**35,501**
Infrastructure/Private Equity	318,986	31,662	(72,647)	-	35,462	**313,463**
	6,731,903	14,644,973	(14,430,904)	-	1,811,489	**8,757,461**
Other investment balances:						
Cash deposits	368,237	-	(80,982)*	-	(19,446)	**267,809**
Investment income due	22,287	-	(110)*	-	-	**22,177**
Net financial assets	**7,122,427**	**14,644,973**	**(14,511,996)**	**-**	**1,792,043**	**9,047,447**

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

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

The Jupiter Blended mandate was terminated in March 2021 as a result of continued underperformance. The actively managed UK equity assets were transitioned to passive management. This is reflected as a reclassification from Equities to Pooled investment vehicles in the table above.

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

Cash balances held by NILGOSC's custodian for the purposes of trading by the investment managers are classified as investment cash deposits within Financial Assets. The £19,446k change in market value in respect of cash deposits reflects foreign exchange gains/(losses) on foreign currency cash.

The cash deposits held at 31 March 2021 include £31.7m ringfenced as collateral in relation to derivative contracts (31 March 2020: £119.1m).

9. Financial assets (continued)

Financial assets and liabilities

	2020/21	2019/20
	£'000	£'000
Financial assets at fair value through profit or loss		
Fixed income securities	**2,079,375**	1,767,185
Equities	**1,540,288**	1,395,345
Index linked securities	**363,763**	223,744
Pooled investment vehicles	**4,425,071**	3,109,182
Derivative contracts:		
Futures	**7,393**	10,983
Swap contracts	**31,549**	29,787
Options	**153**	5,595
Forward currency contracts	**47,657**	50,280
Private equity/infrastructure	**312,713**	318,986
Cash deposits	**267,809**	368,237
Investment income due	**22,177**	22,287
Total financial assets	**9,097,948**	7,301,611
Financial liabilities at fair value through profit or loss		
Derivative contracts:		
Futures	**(5,684)**	(5,119)
Swap contracts	**(13,495)**	(49,958)
Options	**(1,128)**	(7,309)
Forward currency contracts	**(30,944)**	(116,798)
Total financial liabilities	**(51,251)**	(179,184)
Net financial assets	**9,046,697**	7,122,427

9. Financial assets (continued)

Analysis of financial assets

	2020/21	2019/20
	£'000	£'000
Fixed income securities		
UK public sector	**107,713**	37,715
UK corporate	**175,907**	182,690
Overseas public sector	**699,912**	529,352
Overseas corporate	**1,095,843**	1,017,428
	2,079,375	1,767,185
Equities		
UK quoted	**3,052**	246,389
Overseas quoted	**1,537,236**	1,148,956
	1,540,288	1,395,345
Index-linked securities		
UK	**7,225**	58,770
Overseas	**356,538**	164,974
	363,763	223,744
Pooled investment vehicles		
Residential Property Fund	**104,278**	104,050
Global Property Fund	**76,691**	-
Unit trusts	**4,236,722**	3,002,104
Other	**7,380**	3,028
	4,425,071	3,109,182
Derivative contracts		
Futures	**1,709**	5,864
Swap contracts	**18,054**	(20,171)
Options	**(975)**	(1,714)
Forward foreign exchange contracts	**16,713**	(66,518)
	35,501	(82,539)
Infrastructure/Private Equity		
UK Private Equity	**-**	150
Global Infrastructure	**312,713**	318,836
	312,713	318,986

9. Financial assets (continued)

Analysis of Derivatives

Objectives and policies for holding derivatives

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

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

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

a) Futures

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

b) Swap Contracts

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

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

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

c) Options

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

d) Forward Currency Contracts

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

e) Collateral

Derivative agreements are collateralised to reduce credit risk. Cash ringfenced as collateral as at 31 March 2021, totalling £31.7m, is included within investment cash deposits.

9. Financial assets (continued)

The market value of derivative contracts is analysed below

(i) Futures

		2020/21		
		Market Value (Asset)	Market Value (Liability)	Market Value (Net)
Type of contract	**Exposure**	**31 March 2021**	**31 March 2021**	**31 March 2021**
(Expiration - Under one year)	£'000	£'000	£'000	£'000
Overseas Equity Futures	(3,226)	-	(20)	(20)
UK Fixed Income Futures	(22,328)	243	-	243
Overseas Fixed Income Futures	(437,087)	7,150	(5,664)	1,486
Total		7,393	(5,684)	1,709

(ii) Swap contracts

		Market Value (Asset)	Market Value (Liability)	Market Value (Net)
Expiration	**Notional Principal**	**31 March 2021**	**31 March 2021**	**31 March 2021**
	£'000	£'000	£'000	£'000
Up to 1 year	232,551	3,629	(1,449)	2,180
1 to 5 years	350,997	8,356	(5,229)	3,127
5 to 10 years	125,356	14,375	(3,739)	10,636
10 to 15 years	3,554	9	(160)	(151)
15 to 20 years	27,750	-	(1,975)	(1,975)
Over 20 years	87,121	5,180	(943)	4,237
Total		31,549	(13,495)	18,054

		Market Value (Asset)	Market Value (Liability)	Market Value (Net)
Nature of Swap	**Notional Principal**	**31 March 2021**	**31 March 2021**	**31 March 2021**
	£'000	£'000	£'000	£'000
Interest rate swaps	555,053	8,761	(4,392)	4,369
Credit default swaps	(234,026)	14,968	(4,323)	10,645
Inflation swaps	270,684	4,191	(3,333)	858
Other swaps	235,618	3,629	(1,447)	2,182
Total		31,549	(13,495)	18,054

(iii) Options

	Market Value (Asset)	Market Value (Liability)	Market Value (Net)
Investment underlying option contract	**31 March 2021**	**31 March 2021**	**31 March 2021**
	£'000	£'000	£'000
Overseas equity	90	(39)	51
Overseas cash	63	(3)	60
Swaptions	-	(1,086)	(1,086)
Total	153	(1,128)	(975)

	Market Value (Asset)	Market Value (Liability)	Market Value (Net)
Type of contract	**31 March 2021**	**31 March 2021**	**31 March 2021**
	£'000	£'000	£'000
Call options	85	(33)	52
Put options	68	(1,095)	(1,027)
Total	153	(1,128)	(975)

2019/20

Exposure	Market Value (Asset) 31 March 2020	Market Value (Liability) 31 March 2020	Market Value (Net) 31 March 2020
£'000	£'000	£'000	£'000
-	-	-	-
43,036	625	(93)	532
274,662	10,358	(5,026)	5,332
	10,983	(5,119)	5,864

Notional Principal	Market Value (Asset) 31 March 2020	Market Value (Liability) 31 March 2020	Market Value (Net) 31 March 2020
£'000	£'000	£'000	£'000
160,871	1,245	(3,138)	(1,893)
217,137	14,136	(28,274)	(14,138)
(205,241)	6,875	(9,022)	(2,147)
1,167	7	(7)	-
13,000	591	(591)	-
76,206	6,933	(8,926)	(1,993)
	29,787	(49,958)	(20,171)

Notional Principal	Market Value (Asset) 31 March 2020	Market Value (Liability) 31 March 2020	Market Value (Net) 31 March 2020
£'000	£'000	£'000	£'000
542,340	9,184	(14,693)	(5,509)
(681,979)	15,824	(26,759)	(10,935)
234,925	3,535	(5,565)	(2,030)
167,853	1,244	(2,941)	(1,697)
	29,787	(49,958)	(20,171)

Market Value (Asset) 31 March 2020	Market Value (Liability) 31 March 2020	Market Value (Net) 31 March 2020
£'000	£'000	£'000
5,595	(4,799)	796
-	-	-
-	(2,510)	(2,510)
5,595	(7,309)	(1,714)

Market Value (Asset) 31 March 2020	Market Value (Liability) 31 March 2020	Market Value (Net) 31 March 2020
£'000	£'000	£'000
2	(2,510)	(2,508)
5,593	(4,799)	794
5,595	(7,309)	(1,714)

9. Financial assets (continued)

(iv) Open forward currency contracts

The market value of derivative contracts is analysed below.

Number of contracts	Currency Bought	Local Value '000	Currency Sold	Local Value '000	Asset Value £'000	Liability Value £'000	Net Value £'000
19	EUR	47,764	GBP	(48,853)	3	(1,092)	(1,089)
12	EUR	84,687	USD	(85,490)	14	(816)	(802)
52	GBP	353,798	EUR	(342,831)	10,970	(3)	10,967
3	GBP	81,671	JPY	(77,361)	4,310	-	4,310
77	GBP	173,462	OTHER	(171,513)	2,465	(517)	1,948
111	GBP	2,488,379	USD	(2,496,865)	7,885	(16,371)	(8,486)
9	JPY	36,355	USD	(37,393)	-	(1,038)	(1,038)
67	OTHER	128,131	GBP	(131,088)	330	(3,286)	(2,956)
136	OTHER	323,019	USD	(327,222)	433	(4,636)	(4,203)
28	USD	493,504	EUR	(484,732)	8,804	(33)	8,771
60	USD	686,125	GBP	(688,032)	356	(2,263)	(1,907)
8	USD	110,611	JPY	(105,092)	5,519	-	5,519
108	USD	431,046	OTHER	(425,367)	6,568	(889)	5,679
Total					**47,657**	**(30,944)**	**16,713**

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

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

Security	Market Value 31 March 2021 £'000	% of Total Fund	Market Value 31 March 2020 £'000	% of Total Fund
Legal & General – Over 5y Index-Link Gilts	1,218,770	12.44%	1,188,002	15.08%
Legal & General – N. America Equity Index	546,303	5.58%	382,532	4.86%
Legal & General – N. America Equity Index – GBP hedged	535,491	5.47%	325,445	4.13%

9. Financial assets (continued)

Employer-Related Investments

The Scheme had no employer-related investments as at 31 March 2021 or 31 March 2020.

AVC Investments

NILGOSC provides an Additional Voluntary Contribution (AVC) Scheme for its members with two AVC providers, Utmost Life and Pensions Limited (Utmost Life) and Prudential Assurance Company Limited (Prudential). 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 following table shows the movement in AVC investments for Utmost Life during the year.

	2020/21		2019/20	
	Utmost Life	Utmost Life	Prudential	Total
	£'000	£'000	£'000	£'000
Value at start of year	**204**	237	26,236	26,473
Contributions invested	**1**	1	12,497	12,498
Sales of investments	**(25)**	(47)	(13,157)	(13,204)
Change in market value	**31**	13	(641)	(628)
Value at end of year	**211**	204	24,935	25,139

Due to a major disruption to Prudential systems and services in 2020/21, which has resulted in a backlog of updates to member investment records and annual statements, no annual investment movement information has been made available for inclusion in the above table. Prudential informed the Pensions Regulator of this breach in May 2021.

10. Investment property

	2020/21 £'000	2019/20 £'000
Fair Value		
At start of year	**725,465**	767,710
Additions	**2,766**	3,043
Sales	**(9,734)**	(6,969)
Losses arising from changes in fair values	**(3,142)**	(38,319)
At end of year	**715,355**	725,465

The investment properties were valued as at 31 March 2021 by qualified professional valuers working for BNP Paribas Real Estate, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institute of Chartered Surveyors (RICS). The properties are typically valued on the basis of Market Value which is an internationally recognised basis and is defined as 'the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion'. All valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. The valuation is predominantly informed by prevailing market activity, where available, and referenced to key inputs such as rent rolls and applicable yield rates.

The materiality uncertainty in place at 31 March 2020 was removed for all property classifications by September 2020, recognising that less volatile market conditions existed, and more certainty could be attached to expert, independent, third party property valuations than was possible at the last balance sheet date.

Challenges continue to exist in the UK retail property market during the current pandemic but valuations as at 31 March 2021 reflect the prevailing market sentiment.

Management has considered all information currently available, including the exposure of underlying assets and sensitivity of valuations to COVID-19, and concluded that the valuations provided by third party experts as at 31 March 2021 are appropriate for financial statement purposes.

NILGOSC received net rental income of £36.4m (2019/20: £36.9m) in respect of these investment properties.

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

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

	2020/21 £'000	2019/20 £'000
Not later than one year	**37,823**	37,002
Later than one year and not later than five years	**128,157**	128,277
Later than five years	**209,571**	216,908
	375,551	382,187

11. Investment management expenses

	2020/21 £'000	2019/20 £'000
Administration, management and custody	**22,704**	20,649
Performance measurement services	**40**	38
Other advisory fees	**356**	354
Transaction costs and trading expenses	**2,373**	2,539
	25,473	23,580

Investment management expenses mainly consist of fees paid to Fund Managers in respect of the management and investment of funds on NILGOSC's behalf. These fees vary from year to year as they are based on the market value of investments held.

Performance fees were introduced for one global equity mandate during 2021. There were no performance related fees due in 2020/21.

In addition, fees paid in respect of investment advice, custody services and property valuations are included within investment management expenses.

Transaction costs and trading expenses include commissions, stamp duty and other trade related charges. In 2020/21 this also includes foreign exchange losses on the funding of global property and infrastructure investments (£400k).

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are reflected in the cost of purchases or sales proceeds (see Note 9 – Financial assets).

12. Intangible assets

	Computer software £'000
Cost	
At 1 April 2020	**732**
Additions	**112**
Disposals	**(9)**
At 31 March 2021	**835**
Amortisation	
At 1 April 2020	**593**
Charge for the year	**86**
Amortisation on disposals	**(9)**
At 31 March 2021	**670**
Net book value	
At 31 March 2020	**139**
At 31 March 2021	**165**

	Computer software £'000
Cost	
At 1 April 2019	**730**
Additions	**30**
Disposals	**(28)**
At 31 March 2020	**732**
Amortisation	
At 1 April 2019	**538**
Charge for the year	**83**
Amortisation on disposals	**(28)**
At 31 March 2020	**593**
Net book value	
At 31 March 2019	**192**
At 31 March 2020	**139**

Computer software 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	Total £'000
Cost			
At 1 April 2020	1,200	426	**1,626**
Revaluation	-	-	**-**
Additions	154	17	**171**
Disposals	(154)	(12)	**(166)**
At 31 March 2021	**1,200**	**431**	**1,631**
Depreciation			
At 1 April 2020	-	359	**359**
Charge for the year	48	43	**91**
Revaluation Adjustment	(48)	-	**(48)**
Depreciation on disposals	-	(12)	**(12)**
At 31 March 2021	-	**390**	**390**
Net book value			
At 31 March 2020	1,200	67	**1,267**
At 31 March 2021	**1,200**	**41**	**1,241**

	Property £'000	Fixtures, Fittings & Equipment £'000	Total £'000
Cost			
At 1 April 2019	1,300	414	**1,714**
Revaluation	(201)	-	**(201)**
Additions	101	36	**137**
Disposals	-	(24)	**(24)**
At 31 March 2020	**1,200**	**426**	**1,626**
Depreciation			
At 1 April 2019	-	333	**333**
Charge for the year	52	50	**102**
Revaluation Adjustment	(52)	-	**(52)**
Depreciation on disposals	-	(24)	**(24)**
At 31 March 2020	**-**	**359**	**359**
Net book value			
At 31 March 2019	1,300	81	**1,381**
At 31 March 2020	**1,200**	**67**	**1,267**

13. Property, plant and equipment (continued)

The property was valued as at 31 March 2021 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

	2020/21 £'000	2019/20 £'000
At 1 April 2020	**(77)**	(226)
Revaluation during the year	**(48)**	149
Refurbishment disposal	**125**	-
At 31 March 2021	**-**	(77)

The cost and accumulated depreciation in respect of any refurbishment of Templeton House is adjusted through the revaluation reserve. After accounting for refurbishment costs in 2020/21 there is a loss arising from the revaluation of Templeton House as at 31 March 2021 which is included in Administration expenses (note 7).

15. Trade and other receivables

	2020/21 £'000	2019/20 £'000
Receivables and other current assets *	**29,416**	23,377
VAT and other receivables	**-**	3
Less: Provision for impairment of receivables	**(3,394)**	(1,378)
Receivables and other current assets-net	**26,022**	22,002
Pension contributions due **	**20,034**	18,198
Prepayments and accrued income	**6,132**	4,456
	52,188	44,656

* Receivables and other current assets include rental debt.

** All contributions due to the Scheme relate to the month of March 2021 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.

	2020/21 £'000	2019/20 £'000
At 1 April	**13,683**	6,280
Net change in cash balances	**(3,743)**	7,403
	9,940	13,683
The following balances at 31 March were held at:		
Commercial banks and cash in hand	**9,940**	13,683
	9,940	13,683

17. Trade and other payables

	2020/21 £'000	2019/20 £'000
Trade payables and other current liabilities	**222**	12
Unpaid benefits	**5,636**	8,576
Social security and other taxes	**2,345**	2,423
Accruals and deferred income	**14,127**	13,442
	22,330	24,453

18. Retirement benefit obligations

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

The funded nature of the LGPS (NI) requires that the employer and its employees pay contributions into the pension scheme, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the Local Government Pension Scheme Regulations (Northern Ireland) 2014 (as amended) and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2019 and the contributions to be paid until 31 March 2023 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate within the report on the Actuarial Valuation as at 31 March 2019.

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

18. Retirement benefit obligations (continued)

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

The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole is shown in this note.

At 31 March 2021 NILGOSC, in its capacity as a participating employer, had 81 active members (2019/20: 81), 67 deferred members (2019/20 : 64) and 24 pensioners (2019/20 : 24) in the Scheme.

Net defined benefit liability

	2020/21 £'000	2019/20 £'000
Fair value of assets	**16,134**	13,019
Present value of funded defined benefit obligation	**(24,654)**	(18,220)
Net defined benefit liability	**(8,520)**	(5,201)

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

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

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

Financial assumptions

A full actuarial valuation of the NILGOSC defined benefit scheme was carried out as at 31 March 2019. The financial assumptions have been updated by independent qualified actuaries to take account of the requirements of IAS 19 in order to assess the liabilities of the Scheme at 31 March 2021. The discount rate is based on the duration of liabilities for members employed/previously employed by NILGOSC, and not the NILGOSC fund as a whole, and may differ from the discount rate utilised for the IAS 26 actuarial present value of promised retirement benefits disclosed in Note 20.

	2020/21 %	2019/20 %
Rate of increases in salaries	**4.2**	3.4
Discount rate	**2.1**	2.3
Inflation (CPI) / Pension increase rate	**2.7**	1.9

The discount rate has reduced by 0.2%, the CPI inflation assumption has increased by 0.8% and the salary increase assumption has increased by 0.8%. This has resulted in a less positive balance sheet position than if the financial assumptions at the start of the period had been used. The impact of this change is recognised in the Fund Account.

18. Retirement benefit obligations (continued)

Demographic assumptions

The mortality assumptions at the accounting date have been set taking account of actual mortality experience of members within the Fund based on analysis carried out as part of the 2019 Actuarial Valuation and allow for expected future mortality improvements.

Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown in the following table:

	2020/21	2019/20
	Years	Years
Retiring today:		
Males	**21.9**	21.8
Females	**25.1**	25.0
Retiring in 20 years:		
Males	**23.3**	23.2
Females	**26.5**	26.4

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

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

	2020/21	2019/20
	%	%
Equities	**46.3**	42.6
Bonds	**35.7**	38.7
Property	**8.9**	10.0
Cash	**5.3**	4.7
Other	**3.8**	4.0

18. Retirement benefit obligations (continued)

	2020/21	2019/20
	£'000	£'000
Operating cost		
Current service cost	**831**	812
Past service cost	**-**	267
Total	**831**	1,079
Finance cost		
Interest on net defined benefit liability	**115**	111
Total	**115**	111

	2020/21	2019/20
	£'000	£'000
Remeasurement gains and losses		
Return on plan assets (in excess of)/below that recognised in net interest	**(2,578)**	59
Actuarial losses due to change in financial assumptions	**5,565**	14
Actuarial gains due to changes in demographic assumptions	**-**	(589)
Actuarial (gains)/losses due to liability experience	**(169)**	324
Net loss/(gain)	**2,818**	(192)

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

	2020/21 £'000	2019/20 £'000
Fair value of scheme assets at start of year	**13,019**	12,521
Interest income on assets	**302**	316
Contributions by members	**150**	141
Contributions by the employer	**445**	453
Benefits paid	**(360)**	(353)
Re-measurement gains/(losses) on assets	**2,578**	(59)
Fair value of scheme assets at end of year	**16,134**	13,019

18. Retirement benefit obligations (continued)

The actual return on assets is as follows:

	2020/21 £'000	2019/20 £'000
Interest income on assets	**302**	316
Re-measurement gain/(loss) on assets	**2,578**	(59)
Actual return on assets	**2,880**	257

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

	2020/21 £'000	2019/20 £'000
Present value of obligations at start of year	**18,220**	17,177
Current service cost	**831**	812
Interest cost	**417**	427
Contributions by members	**150**	141
Benefits paid	**(360)**	(353)
Actuarial losses on liabilities – change in financial assumptions	**5,565**	14
Actuarial gains on liabilities – change in demographic assumptions	**-**	(589)
Past service cost	**-**	267
Actuarial (gains)/losses on liabilities – experience	**(169)**	324
Present value of obligation at end of year	**24,654**	18,220

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 2021 and 31 March 2020. In each case only the assumption stated is altered; all other assumptions remain the same.

Discount rate assumption

	2020/21		2019/20	
Adjustment to discount rate	**+0.1% p.a.**	**-0.1% p.a.**	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£000's)	**24,087**	**25,221**	17,806	18,644
% change in present value of total obligation	**-2.3%**	**2.3%**	-2.3%	2.3%
Projected service cost (£000's)	**1,226**	**1,323**	771	835
Approximate % change in projected service cost	**-3.7%**	**3.9%**	-3.9%	4.1%

Rate of general increase in salaries

	2020/21		2019/20	
Adjustment to salary increase rate	**+0.1% p.a.**	**-0.1% p.a.**	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£000's)	**24,777**	**24,531**	18,309	18,132
% change in present value of total obligation	**0.5%**	**-0.5%**	0.5%	-0.5%
Projected service cost (£000's)	**1,273**	**1,273**	802	802
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

	2020/21		2019/20	
Adjustment to pension increase rate	**+0.1% p.a.**	**-0.1% p.a.**	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£000's)	**25,098**	**24,210**	18,611	17,839
% change in present value of total obligation	**1.8%**	**-1.8%**	2.1%	-2.1%
Projected service cost (£000's)	**1,323**	**1,226**	835	771
Approximate % change in projected service cost	**3.9%**	**-3.7%**	4.1%	-3.9%

18. Retirement benefit obligations (continued)

Post retirement mortality assumption

	2020/21		2019/20	
Adjustment to mortality age rating assumption	**-1 year**	**+ 1 year**	-1 year	+ 1 year
Present value of total obligation (£000's)	**25,542**	**23,766**	18,800	17,645
% change in present value of total obligation	**3.6%**	**-3.6%**	3.2%	-3.2%
Projected service cost (£000's)	**1,325**	**1,222**	832	772
Approximate % change in projected service cost	**4.1%**	**-4.0%**	3.8%	-3.7%

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 high quality corporate bond yields. If these 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 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 very small proportion of the overall liabilities in the Fund.

Future cash flows

An estimate of the expected employer's regular contributions to the Fund for the accounting period ending 31 March 2021 is £463k.

19. Risks arising from financial instruments

Market risk	Market risk or price risk is the risk of capital loss as a result of a fall in the price of investments. Fluctuations in price can arise from a variety of sources including interest rate risk, credit risk, currency risk and liquidity risk. The Fund is exposed to market risk across all its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. To mitigate market risk, the NILGOSC Committee and its investment advisors review each investment manager's performance quarterly and consider the asset allocation of the Fund formally by carrying out a triennial review with its Investment Advisers, Fund Managers and Fund Actuary.
Currency risk	Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund invests in securities and other investments that are denominated in currencies other than sterling. Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates. The Fund will necessarily be subject to foreign exchange risks. The Fund's investment managers utilise currency swaps, forward exchange contracts and purchased currency options to hedge foreign currency denominated financial instruments. Increases or decreases in the fair values of these instruments are partially offset by gains and losses on the economic hedging instruments.
Interest rate risk	Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. NILGOSC and its investment advisors monitor the Fund's interest rate exposure and individual investment mandates limit this exposure through the use of derivatives.
Credit risk	Credit risk is the risk that the counterparty to a transaction or financial instrument will fail to discharge its obligation resulting in a financial loss. This risk is generally reflected in the market price of securities, resulting in the risk being implicitly accounted for in the carrying value of the Fund's investments. Cash deposits, derivatives and stock lending are the areas of exposure where credit risk is not reflected in market prices. The Fund is exposed to credit risk in respect of its investment portfolio and this risk is managed through the selection and use of high quality counterparties and financial institutions.
Liquidity risk	Liquidity risk or cash flow risk is the risk that adequate cash resources will not be available to meet commitments such as the payment of benefits or future investment commitments as they fall due. To manage this risk NILGOSC operates a robust treasury management framework and maintains immediate access to its cash holdings.

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

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

The actuarial present value of promised retirement benefits at 31 March 2021 was £12,760m (31 March 2020: £10,224m). To assess the value of the benefits on this basis, the following financial and mortality assumptions have been used.

Financial assumptions

A full actuarial valuation of the NILGOSC defined benefit scheme was carried out as at 31 March 2019. The financial assumptions have been updated by independent qualified actuaries to take account of the requirements of IAS 19. There has been a change to the financial assumptions over the period. The discount rate has reduced by 0.2%, the CPI inflations assumption has increased by 0.7% and the salary increase has increased by 0.7% which will result in a more negative balance sheet position than if the financial assumptions had remained as they were at the start of the period.

	31 March 2021	31 March 2020
	%	%
Rate of increases in salaries	**4.2**	3.5
Discount rate	**2.1**	2.3
Inflation / Pension increase rate	**2.7**	2.0

Demographic assumptions

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

	2020/21 Years	2019/20 Years
Retiring today		
Males	**21.9**	21.8
Females	**25.1**	25.0
Retiring in 20 years		
Males	**23.3**	23.2
Females	**26.5**	26.4

The net assets available for benefits are £9,795m giving a shortfall of £2,965m when compared to the actuarial present value of promised retirement benefits of £12,760m calculated on an IAS 19 basis.

McCloud/Sargeant and GMP Indexation and Equalisation

The actuarial present value of promised retirement benefits as presented at 31 March 2021 allows for GMP equalisation and full pension increases to be paid on GMPs to individuals reaching SPA after 6 April 2016 which was not allowed for in previous years.

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

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

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

Details of the funding position of the Scheme are included in the Actuarial Statement on pages 130 to 132.

21. Performance against key financial targets

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

22. Contingent liabilities

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

McCloud/Sargeant Ruling

In 2019 the UK Court of Appeal ruled that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Following the ruling the government confirmed that the judgment would be treated as applying to all public service schemes including the LGPS (NI) (where the transitional arrangements were in the form of a final salary underpin). The Department of Communities ran a consultation from 11 November to 31 January 2021 consulting on proposals to

I) remove discrimination in the LGPS(NI) for the future; and

II) remedy the effect of any discrimination scheme members may have incurred since April 2015.

The proposed approach is to extend the underpin arrangement to all members who were active in the 2009 Scheme on 31 March 2012 and have accrued benefits under the 2015 Scheme. The underpin will cover the period between 1 April 2015 and 31 March 2022, known as the remedy period.

The additional 'underpin' liability estimate is included in the current service costs together with an allowance within the balance sheet reflecting service since the Scheme reforms in 2015. The estimates used and method for valuing the McCloud remedy is aligned to that deferred choice underpin and provided for in the retirement benefit obligation estimate in note 18. Any retrospective payments due on benefit recalculations necessary based on the deferred choice underpin will be immaterial at a fund level.

Cost Management Process – 2016 cost cap valuations

The 2016 Scheme valuation was paused as a consequence of the McCloud ruling. Following consultation with member representatives, the Department of Finance will publish revised valuation directions which will enable the 2016 valuation to be completed and the final cost cap results to be determined. These results will take into account the increased value of public service pensions, attributable to the 'McCloud remedy'.

22. Contingent liabilities (continued)

GMP Indexation and Equalisation

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension between 6 April 1978 and 6 April 1997.

Prior to 6 April 2016, the State Pension and public sector schemes worked in tandem to ensure LGPS (NI) Pension kept in line with inflation. The LGPS(NI) was not required to pay any pension increases on GMPs accrued before April 1988 and limited increases on those accrued after 1988. In return the Additional Pension (AP) element of the State Pension paid top-up payments to pensioners to give inflation protection on the GMP element not provided by LGPS(NI).

Reforms were made to the State Pension system in April 2016 which scrapped AP and removed the facility for central government to fully index the combined pension through AP. In March 2016 the government introduced an 'interim' solution for the LGPS(NI) to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between April 2016 and December 2018. This 'interim' solution has continued to be extended with the latest government response to consultation on full GMP conversion opting to extend the full indexation up to April 2024.

The retirement benefit obligation provides for an indefinite extension of the solution in the estimates included in note 18.

Goodwin Legal Case

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

The impugned Regulations provide for a survivor's pension for all adult survivors of marriages and civil partnerships based on the member's service from 1972 (1978 for post-retirement marriages and civil partnerships), except in respect of a widower of an opposite sex marriage or a male surviving partner of an opposite sex civil partnership which are based on the member's service from 1988.

The Tribunal found this to be discriminatory and ruled that the Regulations should have effect so that Mrs Goodwin's widower or surviving male civil partner would be entitled to the same survivor pension as if he were her widow or surviving female civil partner. This ruling, which has not been challenged by the government, has implications for all public sector pension schemes including LGPS(NI).

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

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

23. Contractual commitments

Outstanding capital commitments (investments) at 31 March 2021 totalled £205m (31 March 2020: £161m). These relate to outstanding amounts committed, but not yet paid, to unquoted limited partnership funds held in the private equity/infrastructure part of the portfolio. The amounts requested by these funds are variable in both size and timing over a period of 5-6 years from the date of the original agreement. In addition, NILGOSC

which will be funded over the next 12 – 18 months.

24. Related party transactions

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

Details of allowances paid during the year to members of the Committee are shown in the Remuneration Report on page 78. None of the Committee Members have undertaken any other material transactions with NILGOSC during the year.

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

25. Summary of losses and special payments

(i) Losses

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

Losses incurred during the year in respect of pension overpayments total £8,714. This figure reflects pensioner overpayments as a result of death which are not considered recoverable and includes one overpayment of £2,503 for which write off approval was sought from DfC and was provided 11 June 2021.

(ii) Special payments

There were no special payments during the year.

26. Post Balance Sheet Events

There have been no significant events since 31 March 2021.

The Financial Statements were authorised for issue by the Accounting Officer on 7 September 2021.

STATEMENT OF THE ACTUARY for Year Ended 31 March 2021

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Northern Ireland Local Government Officers' Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 68 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014.

Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the Scheme had increased since the previous valuation with the market value of the Scheme's assets as at 31 March 2019 (of £8,039.9M) covering 112% of the liabilities allowing, in the case of pre-1 April 2015 membership for current contributors to the Scheme, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:

   a. 20.7% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date,

   Plus

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

   Less

   c. 4.3% of pensionable pay to remove surplus in excess of a funding level of 100% over a recovery period of 20 years from 1 April 2020 (but with an additional monetary amount payable for those employers whose funding position is below 100%).
3. A large number of employers are grouped together (in the Main Employer Group) for the purposes of setting employer contribution rates but contributions for other employers are assessed separately. The resulting contributions payable by each employer are set out in Aon's report dated 30 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Scheme by the employers.
4. The funding plan adopted in assessing the contributions for each employer and the Group is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and employers' recovery periods were agreed with the Northern Ireland Local Government Officers' Superannuation Committee (the Committee) reflecting the employers' circumstances.
5. Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

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

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

In-service discount rate

Main Employer Group funding target	4.1% p.a.
Intermediate funding target	4.1% p.a.
Ongoing orphan funding target	4.1% p.a.

Left- service discount rate

Main Employer Group funding target	4.1% p.a.
Intermediate funding target	3.1% p.a.
Ongoing Orphan funding target	1.6% p.a.

Rate of pay increases

(service up to 31 March 2015 only)

(additional allowance made for promotional increases)	3.6% p.a.
Rate of increase to pension accounts	2.1% p.a.
Rate of increases in pensions in payment	2.1% p.a.

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

The assets were valued at market value.

7. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P mortality tables with appropriate scaling factors applied based on an analysis of the Scheme's pensioner mortality experience and a Scheme membership postcode analysis using Aon's Demographic HorizonsTM longevity model. This included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Core Projections Model (CMI2018), with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

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

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

8. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Committee, in conjunction with the Actuary monitors the funding position on a regular basis.

9. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 30 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Scheme as at 31 March 2022 in accordance with Regulation 68 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014.

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

Increases to Guaranteed Minimum Pensions (GMPs):

On 23 March 2021, the Government published a response to its consultation on the longer - term solution to achieve equalisation for GMPs as required by the High Court judgment in the Lloyds Bank case. The response set out its proposed longer - term solution, which is to extend the interim solution further to those reaching SPA after 5 April 2021. The results of the 2019 valuation already allow for the impact of this proposed longer - term solution since it allowed for the extension of the 'interim solution' which assumed public service schemes would be required to pay full inflationary increases on GMPs for all those reaching State Pension Age (SPA) on or after 6 April 2016 (and not just for those reaching SPA between 6 April 2016 and 5 April 2021).

Cost Management Process and McCloud judgment:

Initial results from the 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 3.2% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgment would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin). and a consultation on changes to the LGPS (NI) was issued by the Department for Communities in November 2020.

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

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 3.2% of pay in relation to the potential additional costs following the McCloud judgment / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the details of the LGPS (NI) changes arising from the McCloud judgment and (if applicable) arising from the 2016 cost management process have been agreed.

It is also possible that further changes to benefits and/or contributions may ultimately be required under the 2020 Cost Management process, although the outcome is not expected to be known for some time.

Goodwin:

An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS (NI) regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

Initial results from the 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 3.2% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgment would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin). and a consultation on changes to the LGPS (NI) was issued by the Department for Communities in November 2020.

11. This Statement has been prepared by the Actuary to the Scheme, Aon, for inclusion in the financial statements of the Scheme. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

The report on the actuarial valuation as at 31 March 2019 is available on the Scheme's website at the following address:

https://nilgosc.org.uk/document-category/valuation-reports/

Aon Solutions UK Limited

May 2021

Appendices

ANNUAL EQUALITY STATEMENT Year Ended 31 March 2021

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

Our Commitment

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

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

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

Promotion of Equality of Opportunity

NILGOSC has demonstrated its commitment to the promotion of equality of opportunity during 2020/21 and the equality agenda continues to be promoted and supported by the most senior levels of the organisation.

The NILGOSC Corporate Plan for 2020/21 included objectives relating to equality and good relations. The Senior Management Team has monitored the implementation of these objectives on a quarterly basis.

Implementation of the Equality Scheme

NILGOSC carried out a full review and consultation of its approved Equality Scheme in late 2016 and published an updated Scheme on 9 March 2017. The Equality Scheme was further reviewed in September 2018 in light of the proposed introduction of the My NILGOSC Pension Online system, which provides members and pensioners with online access to their pension records. There was a minor amendment to the Scheme to reflect that some member communications would be made available via this new system going forward. NILGOSC consulted with Equality Commission for Northern Ireland regarding this, who approved the change without the need for further consultation. The next review of the Scheme will be completed in 2021.

NILGOSC carried out its duties in relation to the Equality Scheme throughout 2020/21 to ensure that its policies and procedures are fair and lawful. A number of the actions set out in the Equality Action Plan 2018-2021 were progressed during the year, as set out below:

- Eight new members appointed to the Committee during 2020/21 were required to complete "Equality and Diversity in the Northern Ireland Workplace" e-learning training. All new staff are also required to complete this training.
- Face to face staff training on equality related policies has been delayed due to the ongoing COVID-19 crisis as the Staff Conference in 2020 was postponed until further notice. A virtual staff training day has been scheduled for 30 June 2021, which will include this equality training.
- As reported last year, an independent review of the website was completed in line with Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018. Following the recommendations made in the review report, NILGOSC redesigned its website during 2020/21 to improve accessibility and the new website was launched on 23 March 2021.
- The Equal Opportunities Policy was reviewed and updated in the first quarter of 2021 and was subsequently approved by the Staffing Committee in April 2021.

Following discussion and agreement with the Equality Commission for Northern Ireland, NILGOSC has carried forward any actions not implemented to date from the Equality Action Plan 2018 – 2021 into a new extended Equality Action Plan for 1 April – 31 December 2021. This is to allow the action plan to be aligned with the audit of inequalities and review of the Scheme due to be completed by the end of December 2021. The outcome of the audit and review will be used to inform a new Equality Action Plan for 2022-2025.

In line with its Equality Scheme, NILGOSC continues to carry out screening of any new or revised policies for equality impacts. One policy was screened out during 2020/21 and no equality impact assessment was required. No equality complaints were received during the year.

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

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

Address:	**NILGOSC, Templeton House, 411 Holywood Road, Belfast, BT4 2LP**
Telephone:	**0345 3197 320**
Typetalk:	**18001 0345 3197 320 (for people using a textphone)**
Fax:	**0345 3197 321**
Email:	**equality@nilgosc.org.uk**

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

ANNUAL REPORT OF THE AUDIT AND RISK ASSURANCE COMMITTEE for Year Ended 31 March 2021

1 Purpose

1.1 The purpose of this report is to provide the Management Committee with an annual report on the activity of the Audit & Risk Assurance Committee (ARAC) during the year ended 31 March 2021.

1.2 This report provides a summary of the main areas and issues considered by the ARAC during 2020/21.

2 Constitution of the Audit & Risk Assurance Committee

2.1 Michael Rafferty and Antoinette McMillen were appointed to the ARAC on 1 April 2020 to join existing members Linda Neilan, Joan McCaffery, Tom Irvine and Mark McBride. In anticipation of Linda Neilan's departure from the Committee, Mark McBride took over as Chairperson of the ARAC on 1 June 2020. Following the end of their terms of membership on the Committee, Tom Irvine and Linda Neilan left the ARAC on 30 September 2020 and 31 March 2021 respectively. At 31 March 2021 there were four members on the ARAC.

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

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

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

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

3 Financial Reporting

3.1 The Annual Report and Accounts 2019/20 were prepared in line with changes to the FReM and relevant accounting guidance. This was presented to the ARAC on 11 August 2020. In line with DAO (DFP) 10/12 'Requirement to Complete a Governance Statement', the Chief Executive prepared his Governance Statement for 2019/20, which was considered and endorsed by the ARAC for inclusion in the 2019/20 Annual Report.

3.2 In addition to the Governance Statement, the Annual Report 2019/20 also included the Annual Report of the ARAC. On the recommendation of the ARAC, the Annual Report 2019/20 was approved by the Management Committee at its meeting on 25 August 2020 and laid before the Assembly on 8 September 2020.

4 External Audit

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

4.2 The NIAO presented its Report to Those Charged with Governance for 2019/20 (RTTCWG) to the ARAC on 11 August 2020.

4.3 The External Auditor advised the ARAC that there were no significant issues identified as a result of the audit. One priority 3 investment related recommendation was made and accepted by management. The External Auditor opined that the financial statements had been properly prepared and provided a true and fair statement of NILGOSC's affairs as at 31 March 2020.

4.4 The Local Government Auditor issued a clean audit opinion for the year ended 31 March 2020. There were no significant issues reported in the 2019/20 RTTCWG.

4.5 The Local Government Auditor presented its Audit Strategy 2020/21 to the ARAC at its meeting on 9 February 2021, which was subsequently approved.

5 Internal Audit

5.1 The Internal Auditor presented the final audit plan for 2020/21 to the ARAC on 1 June 2020.

5.2 The internal audit reviews conducted during 2020/21 and the assurance opinion provided in respect of each is set out in the following table:

Review	Assurance Opinion
Pensions Administration	Satisfactory
Complaints Handling, Whistleblowing and Freedom of Information	Satisfactory
Communications	Satisfactory
COVID-19 Business Response	Satisfactory
Staff Payroll, Travel & Subsistence and Committee Members' Expenses	Satisfactory
IT Systems & Security	Satisfactory
Follow Up	Satisfactory

5.3 'Satisfactory' is the highest level of assurance that can be provided and the ARAC was pleased to note that this had been achieved in all areas and that no significant issues were identified as a result of any of the internal audit reviews undertaken during 2020/21.

5.4 The ARAC receives bi-annual reports on the progress against implementation of internal audit recommendations. These reports were provided in August 2020 and February 2021 and the ARAC noted that good progress had been made during 2020/21.

5.5 In her Annual Assurance Report, the Head of Internal Audit (HIA) stated that, during the twelve month period ended 31 March 2021, NILGOSC's systems in relation to risk management, control and governance were adequate and operated effectively, thereby providing satisfactory assurance in relation to the achievement of NILGOSC's objectives.

5.6 The HIA did not consider there to be any significant control issues relevant to the preparation of the Governance Statement for the year ended 31 March 2021.

6 Risk, Control and Governance

6.1 During the annual review of the risk register in April 2020, the risk register was extensively reviewed. One new risk was identified as a result of the review and added to the risk register and some amendments were made to the register including risk scores and control measures. A separate Risk Register was also created to address the risks arising from the COVID-19 pandemic. The ARAC reviewed the risk register 2020/21 and COVID-19 risk register at its meeting on 1 June 2020 and approved the content of both, which were subsequently approved by the Management Committee.

6.2 A quarterly report is also presented to the ARAC summarising the operation of the risk management process. This report includes any significant control issues identified during the quarter together with any proposed changes to the risk register. It also incorporates the review of risks, in line with significant changes in the external environment. The quarterly reports provide the ARAC with assurance that the risk management process is operating effectively and that any internal control weaknesses or irregularities are promptly and adequately addressed. The reports including any approved changes are presented to the Management Committee following review by the ARAC.

6.3 The quarterly risk reviews and subsequent reports provided during 2020/21 resulted in the addition of a new risk to the COVID-19 risk register, an amendment to the wording of one of the COVID-19 specific risks and a reduction in the risk score of another COVID-19 specific risk. There were no changes to the corporate risk register during the reporting period. The changes to the risk register were approved by the ARAC.

6.4 The Department for Communities (the Department) requires NILGOSC to regularly complete Departmental Assurance Statements to provide assurance that sound systems of internal control and governance are in place, that key risks are being managed and to highlight any significant issues. These six-monthly Statements were reviewed by the ARAC at its meetings on 1 June 2020 and 16 November 2020 before consideration by the Management Committee and sign off by the Chairperson.

7 Fraud and Whistleblowing

7.1 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. During 2020/21, one new case of suspected fraud was reported in line with the Policy and NILGOSC continued to provide updates to the Department on a previously reported case.

7.2 During the year, NILGOSC replaced its Whistleblowing Policy with a Raising Concerns Policy, following updated guidance from the Northern Ireland Audit Office. This policy was considered by the ARAC at its meeting on 9 February 2021 and it was subsequently approved later that month by the Management Committee. There were no instances of whistleblowing or raised concerns during 2020/21.

7.3 Any cases of whistleblowing or fraud are reported to the ARAC through a quarterly Fraud and Raised Concerns Report, presented at each meeting. During the year NILGOSC participated in the National Fraud Initiative (NFI) 2020/21 data matching exercise. Updates on progress against the investigation of matches identified through this exercise and those identified by the General Register Office for Northern Ireland are also reported on in this report.

8 Other

8.1 The Terms of Reference for the ARAC are formally reviewed every three years or as required. There were no updates to the Terms of Reference during 2020/21. The approved Terms of Reference are available to view on NILGOSC's website.

8.2 A Departmental representative was in attendance at all four ARAC meetings held in 2020/21.

9 Effectiveness of the Audit & Risk Assurance Committee

9.1 The ARAC met four times during 2020/21 in accordance with the planned work programme.

9.2 The following table sets out the attendance record for 2020/21:

Member	Meetings Called	Meetings Attended	Attendance %
Linda Neilan	4	4	100%
Mark McBride	4	4	100%
Joan McCaffrey	4	4	100%
Michael Rafferty	4	4	100%
Antoinette McMillen	4	4	100%
Tom Irvine	2	2	100%

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

9.4 The ARAC met on 14 May 2021 to discuss the questions on the checklist and review its effectiveness for the reporting period 1 April 2020 to 31 March 2021. The outcome of the assessment demonstrated that the ARAC operated effectively during the reporting period and is compliant with the five good practice principles set out in the checklist.

9.5 Following the 2020/21 review of effectiveness, no significant issues were identified. However, it was noted that a number of new appointments were made to the ARAC during 2020/21 and that ongoing training will be important for those members to build knowledge and experience.

10 Opinion

10.1 Based on the assurances and information provided during the year ended 31 March 2021, the ARAC is satisfied that the Management Committee can rely on the risk management, internal control and corporate governance arrangements currently in operation.

EMPLOYING AUTHORITIES CONTRIBUTING TO THE SCHEME at 31 March 2021

Councils

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

Education and Library Authorities

Education Authority
Libraries NI

Restricted Membership

Amey Community Limited
Apex Housing
Apleona HSG Limited
Capita Managed IT Solutions Limited
Choice Housing Ireland Limited
City of Derry Airport
Graham Asset Management
Mourne Heritage Trust
Northern Community Leisure Trust
Northern Community Leisure Trust 2
OCS Group UK Limited
Radius Housing Association
South Ulster Housing Association Limited

Associated Bodies

Arc21 Joint Committee
Ark Housing Association Northern Ireland Limited
Armagh Observatory and Planetarium
Arts Council of Northern Ireland
Belfast Charitable Society
Belfast Visitor & Convention Bureau
Belfast Waterfront and Ulster Hall Limited
Citybus Limited
Coleraine Harbour Commissioners
Comhairle Na Gaelscolaíochta
Community Relations Council
Connswater Homes Limited
Construction Industry Training Board
Controlled Schools Support Council
Council for Catholic Maintained Schools
Council for the Curriculum, Examinations and Assessment
Derry Visitor and Convention Bureau
General Teaching Council for Northern Ireland
Greenwich Leisure Limited
Grove Housing Association Limited
Habinteg Housing Association (Ulster) Limited
Linen Hall Library
Livestock & Meat Commission for Northern Ireland
Local Government Staff Commission
Middletown Centre for Autism
Millennium Forum
Newington Housing Association (1975) Limited
North Belfast Housing Association
Northern Ireland Co-Ownership Housing Association Limited
Northern Ireland Council for Integrated Education
Northern Ireland Federation of Housing Associations
Northern Ireland Fire & Rescue Service
Northern Ireland Fishery Harbour Authority
Northern Ireland Hospice
Northern Ireland Housing Executive
Northern Ireland Local Government Association

Northern Ireland Local Government Officers' Superannuation Committee
Northern Ireland Railway Company Limited
Northern Ireland Screen
Northern Ireland Tourist Board
Northern Ireland Transport Holding Company
Outdoor Recreation (NI)
Probation Board for Northern Ireland
Rural Housing Association
Sports Council for Northern Ireland
St Matthew's Housing Association Limited
Ulsterbus Limited
Woodvale and Shankhill Housing Association

Schools and Colleges

Abbey Christian Brothers Grammar School
Acorn Integrated Primary School
Aquinas Diocesan Grammar School
Assumption Grammar School
Ballymena Academy
Bangor Grammar School
Belfast High School
Belfast Royal Academy
Blackwater Integrated College
Braidside Integrated Primary & Nursery School
Bridge Integrated Primary School
Campbell College
Cedar Integrated Primary School
Christian Brothers Grammar School
Coleraine Grammar School
Corran Integrated Primary School
Cranmore Integrated Primary School
Dalriada School
Dominican College – Belfast
Dominican College – Portstewart
Drumlins Integrated Primary School
Drumragh Integrated College
Enniskillen Integrated Primary School
Enniskillen Royal Grammar School
Erne Integrated College
Foyle and Londonderry College
Friends School
Hazelwood College
Hazelwood Integrated Primary School
Hunterhouse College
Integrated College Dungannon
Jordanstown Schools
Lagan College
Larne Grammar School
Loreto College
Loreto Grammar School
Loughview Integrated Primary School
Lumen Christi College
Maine Integrated Primary School
Malone College
Methodist College
Mill Strand Integrated Primary School
Millennium Integrated Primary School
Mount Lourdes Grammar School
New-Bridge Integrated College
North Coast Integrated College
Oakgrove Integrated College
Oakgrove Integrated Primary School
Oakwood Integrated Primary School
Omagh Integrated Primary School
Our Lady & St Patrick's College
Our Lady's Grammar School
Phoenix Integrated Primary School
Portadown Integrated Primary School
Rainey Endowed School
Rathmore Grammar School
Roe Valley Integrated Primary School
Rowandale Integrated Primary School
Royal Belfast Academical Institution
Royal School, Armagh
Royal School, Dungannon

Sacred Heart Grammar School
Saints and Scholars Integrated Primary School
Shimna Integrated College
Slemish Integrated College
Sperrin Integrated College
Spires Integrated Primary School
St Colman's College
St Columb's College
St Dominic's High School
St Joseph's Grammar School
St Louis Grammar School
St Louis Grammar School Kilkeel
St Malachy's College
St Mary's Christian Brothers
St Mary's Grammar School
St Michael's College
St Patrick's Academy
St Patrick's Grammar School
St Patrick's Grammar School, Armagh
St Ronan's College
Strangford College
Strathearn School
Sullivan Upper School
Thornhill College
Ulidia Integrated College
Victoria College
Wallace High School
Windmill Integrated Primary School

Further and Higher Education Colleges and Universities

Belfast Metropolitan College
North West Regional College
Northern Regional College
South Eastern Regional College
South West College
Southern Regional College
St Mary's University College
Stranmillis University College
University of Ulster

GLOSSARY

The following is a glossary of pension terms used throughout this Annual Report:

Term	Definition
Accrual rate	This is the rate at which pension benefits build up for the member e.g. 1/49th times pensionable pay for each year of membership.
Active Member	Current member of the pension scheme who is building up retirement benefits from their present job.
Active Management	A style of investment management whereby the manager seeks to add value to the fund by actively buying and selling shares.
Actuary	Expert on pension scheme assets, liabilities, life expectancy and probabilities. An actuary works out whether enough money is being paid into a pension scheme to pay the pensions when they are due.
Actuarial Valuation	An assessment performed by an actuary, usually every three years, to determine how much money needs to be put into a pension scheme to ensure that there are enough funds available to meet future pension payments.
Additional Voluntary Contributions (AVCs)	Contributions made by an individual over and above the normal contribution level to increase the level of benefits available on retirement. These contributions are paid to an insurance company.
Asset Allocation	The decision as to which mix of assets to buy – shares, bonds, property or cash.
Automatic Enrolment	The process whereby employers must automatically enrol workers that meet specified eligibility conditions into a qualifying pension scheme. Workers have the option to opt out.
Balanced Management	A traditional approach to investment whereby a manager buys a combination of shares and bonds to provide both income and capital appreciation while avoiding excessive risk.
Benchmark	A standard against which investment performance is measured. A common benchmark is the FTSE All-Share Index which includes a large percentage of all quoted shares.
Benefit Statement	A statement showing an individual the pension benefits they have earned so far together with a forecast of what their final pension might be.
Career Average Revalued Earnings (CARE)	A defined benefit scheme in which pension benefits are based on a career average pay and length of membership in the Scheme and re-valued to retirement.
Cohabiting Partner	Couples who live together but do not marry or enter a civil partnership.

Term	Definition
Consumer Price Index (CPI)	CPI forms the basis for the Government's inflation target. It is an index published by the Government each month reporting the change in the price of a 'basket of goods, commodities and services' and a measure of inflation within the UK. It excludes housing costs and mortgage interest payments. CPI can be used for revaluing pensions in deferment and increases to retirement income.
Contributions	The money paid by an individual or his/her employer into a pension fund.
Corporate Bonds	Loan stock issued by companies which offer a fixed rate of interest paid over the duration of the loan, together with repayment on maturity at a predetermined rate.
Coupon	The nominal interest a bond will pay at each payment date.
Death Benefit	This may be paid to a member's dependants if the member dies. It may be a pension or a one–off payment.
Deferred Benefits	Benefits which are calculated at the time an individual leaves the scheme and are payable later.
Deferred Member	An individual who has left the scheme but will get pension benefits when they reach their normal retirement age.
Defined Benefit Scheme	A pension scheme which states in advance the level of benefits that will be paid on retirement, usually based on the service and earnings.
Dependant	Someone who is dependent on a member of the pension scheme (or on a pensioner of the scheme) and derives benefits through him/her.
Eligible Child	A child is an eligible child of a deceased member if, at the date of death they are: The natural child of the deceased The adopted child of the deceased A step-child of a child accepted as a member of the deceased's family and dependent on the deceased at the date of death. Eligible children must meet one of the following conditions: • Be under age 18, or • Be aged between 18 and 22 (inclusive) and be in full-time education or vocational training, or • Be unable to engage in gainful employment because of physical or mental impairment and either has not reached age 23 or the impairment is in the opinion of NILGOSC's Independent Registered Medical Practitioner, likely to be permanent and the person was dependent on the deceased at the date of death because of that impairment.

Term	Definition
Expression of Wish	An Expression of Wish enables a member to tell NILGOSC who they would like to receive any death grant due if they die. NILGOSC does not have to follow the member's wish but will take it into account.
Final Pensionable Pay	The pensionable earnings on which the final salary benefits are calculated. This may be based on how much an individual is earning when they retire or the best pensionable earnings in the last three years.
Final Salary Scheme	A defined benefit scheme where the pension benefits paid on retirement are based on how much an individual is earning when they retire.
Fund Manager	A professional manager of investments often employed by a pension scheme to manage assets on their behalf.
Gilts	Bonds issued by the Government.
Guaranteed Minimum Pension (GMP)	This is the minimum pension that an occupational pension scheme had to provide as a condition of contracting out for pre-6 April 1997 service. The Government is currently considering how to equalise scheme benefits to take account of the differences in the way that GMPs are calculated for men and women.
Ill–health retirement	If a member meets the qualifying criteria for ill-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.
Occupational Pension Scheme	A pension scheme established by an employer to provide pension benefits to its employees on their retirement.
Opting Out	This is when an employee leaves a pension scheme or chooses not to join one. Under automatic enrolment a member must be signed up to the Scheme before he/she can opt out. If a member opts out within two years of joining they are entitled to a refund of contributions; an opt-out after two years entitles them to deferred pension benefits payable from their normal retirement age.

Term	Definition
Passive Management	A style of investment management where no active management is required, instead investments are made in line with an index.
Pension	A regular income paid to an individual on their retirement.
Pensions Increase	In April each year NILGOSC increases pensions to reflect rises in the cost of living.
Pensionable pay	These are the earnings used to work out a member's benefits and contributions. They might not include overtime.
Pensionable Service	The period of employment that is considered when calculating final salary pension benefits.
Retail Prices Index (RPI)	An index published by the Government each month reporting the change in the price of a 'basket of goods, commodities and services' and is the accepted measure of inflation within the UK. This is a slightly different 'basket of goods, commodities and services' from those used to calculate CPI as it includes housing costs such as mortgage interest payments. RPI can be used for revaluing pensions in deferment and increases to retirement income.
Revaluation	In April each year NILGOSC will apply CARE revaluation in accordance with the Public Service Pensions Revaluation (Prices) Order (Northern Ireland).
Rule of 85	The Rule of 85 refers to a provision of the Scheme which allowed members who retired early to take their pension entitlements without penalty if the sum of their age and length of membership equalled 85 years or more. This rule was abolished on 1st October 2006 however members who joined before this have some protections: All existing members at 30 September 2006 are protected until 31 March 2008 i.e. the benefits they built up to 31 March 2008 will be protected under the 85 year rule. Those existing members at 30 September 2006 who will be 60 or over and meet the 85 year rule by 31 March 2016 are fully protected i.e. the benefits they built up to 31 March 2016 will be protected under the 85 year rule. Those existing members at 30 September 2006 who will be 60 or over and meet the 85 year rule between 1 April 2016 and 31 March 2020 will have full 85 year rule protection to 31 March 2008 and have some 85 year rule protection, on a sliding scale, to 31 March 2020.
Securities	A general name for shares, stocks and bonds issued to investors.

Term	Definition
Shares	Sold by companies looking to raise money. Shares give the holders an interest in the company and a right to share in the profits.
State Pension Age	This is the age people normally start getting the basic state pension. From November 2018 this was equalised at age 65 for men and women. State pension age is then to increase to age 66 by October 2020, age 67 between 2026 and 2028 and to age 68 between 2044 and 2046. The Pensions Act 2014 provides for a regular review of the State Pension Age, at least once every five years. The first review was published in July 2017 and proposes a new timetable for the rise to 68. It proposes that the State Pension Age will increase to 68 between 2037 and 2039. Any proposals will need to go through Parliament before becoming law.
Stock Selection	The process of selecting which individual shares and bonds to buy and sell.
Superannuation	A term used to describe contributions made to a pension scheme, particularly in the public sector.
Transfer Value	The value of an individual's pension rights which may be transferred, subject to conditions, to another pension scheme to provide alternative benefits if they have left the Local Government Pension Scheme.

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