NILGOSC
NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE

# ANNUAL REPORT AND ACCOUNTS 2023/24

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 2024**

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

12 September 2024

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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 2024 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

The Accounting Officer has taken all steps that ought to be taken to ensure that he is aware of any relevant audit information and to ensure that NILGOSC's auditors are apprised of any such information. So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware.

## IMPORTANT EVENTS OCCURRING AFTER THE YEAR END

There have been no significant events since 31 March 2024.

## 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 2024 NILGOSC paid 973 invoices totalling £20.758m on 10 day terms, of which 15 undisputed invoices were late. 99.28% 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 10.0 working days (2022/23: 9.9 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 Interim Chair and the Chief Executive which provides their perspective on NILGOSC's key activities and achievements during the year ended 31 March 2024. It concludes with highlights of NILGOSC's performance from both a Scheme Administration and Investment perspective.

## JOINT STATEMENT FROM THE INTERIM CHAIR AND CHIEF EXECUTIVE

It has been another turbulent twelve months, both geopolitically and for financial markets. As the Russia-Ukraine war entered its third year, major violence has again broken out in the Middle East. Financial markets started 2023 with fears of a recession as inflation remained stubbornly high, while bond markets feared a third consecutive year of losses. However, thanks to a strong rally in the final quarter of 2023, both equity and bond markets experienced a much needed comeback and ended the year higher than they started.

From an administration perspective, the long anticipated McCloud remedy regulations came into effect on 1 October 2023, introducing last minute changes which significantly widened the scope of those affected. In addition to this substantial new administration burden, it has been yet another challenging year from a staff recruitment and retention perspective. Both of these factors did unfortunately impact on service delivery throughout the year.

Despite this backdrop, NILGOSC was delighted to be recognised by the pensions industry at the 2023 LAPF Investments Awards, winning in both Scheme Administration and Sustainable Investment Strategy – Climate categories. This achievement recognises many of NILGOSC's successes on the investment and administration front and this statement is our perspective on the performance and achievements of the organisation during the year ended 31 March 2024.

### Investment Performance

Despite gloomy predictions, global financial markets confounded expectations in 2023 as recession fears receded and optimism grew that inflation was finally cooling and interest rates hikes were reaching an end. The main equity indices recorded double digit returns for the calendar year to 31 December 2023, primarily due to expectations that borrowing costs had peaked. This strong equity performance was led by the 'Magnificent Seven' technology stocks of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla and US, European and Asia Pacific equity markets all displayed solid gains for the calendar year. Equity markets continued to perform well in the final quarter, driven by strong reported earnings amongst US stocks.

Whilst equity markets had their strongest calendar year since 2019, bond markets looked like they were heading for a third consecutive year of losses at the mid-year point. The biggest two-month rally on record in November and December 2023 saw the bond market rise as investor sentiment shifted on the back of an anticipated end to interest rate rises, following signals from the Fed in December that rates had peaked with the potential for lower rates in the coming year. However, bonds came under pressure again in the final quarter as inflation proved sticky and expectations of rate cuts were pushed out further into 2024, resulting in a fairly flat final quarter.

It was a tough year for global property markets as elevated interest rates continued to impact on valuations. The UK real estate market in particular saw significant re-pricing over the past 18 months, with capital values materially rebasing across all sectors. There is however growing expectations that a turning point will be reached in 2024 as market conditions begin to stabilise.

Equity and fixed income markets posted returns of 25.03% and 1.12% respectively for the year ended 31 March 2024, while other assets, such as property and infrastructure showed returns of 0.26% and 5.50% respectively.

Thanks to its well diversified portfolio, NILGOSC saw its investment fund increase in value by £933m during 2023/24, ending the year at £10.463bn. NILGOSC measures investment performance over a 3 and 5 year horizon, in line with its longer term strategy to deliver above inflation returns.

At 31 March 2024, it had underperformed its investment objective of Consumer Price Index (CPI)+3% on a 3 and 5-year basis by -7.6% and -2.3% respectively. CPI has been chosen as a benchmark as it offers an absolute measure which reflects the relative value of money in the real world, which is essential when the goal is ultimately to pay inflation linked pensions into the future. However, over shorter periods it can be less meaningful, particularly when inflation moves significantly from historical averages and central bank target ranges as seen in recent times. It is not possible to invest directly in CPI and therefore asset returns will always be more volatile relative to a CPI benchmark, resulting in significant over or underperformance over shorter periods of time. As a result, NILGOSC is not unduly concerned with the relative returns shown in this report.

Over the past twelve months, work continued to implement the two remaining actions arising from the 2021 triennial investment strategy review, namely the appointment of a new global property manager and a third global equity manager. Following comprehensive due diligence and contract negotiation, Partners Group was appointed in December 2023 to manage a global property portfolio of £285m, which will be drawn down and invested as suitable opportunities arise over the next two to three years. After a similar process, Harris Associates was appointed in February 2024 to manage a global equity portfolio of £525m, which was funded on 7 March 2024.

Further details on NILGOSC's investment strategy and fund objectives are set out in the Performance Analysis - Investment of the Fund section of this annual report starting on page 45.

Environmental, Social and Governance factors continued to influence investment activity during the period and, in addition to exercising the voting rights attached to its equity holdings, NILGOSC was an active signatory and supporter to a range of global investment initiatives with highlights including:

- Signatory to the CDP's 2023 Non-Disclosure campaign, calling on companies to report on their environmental impact through CDP's questionnaires.
- Renewed commitment to CDP (formerly the Carbon Disclosure Project), signing up to the 2023 Climate Change, Forests and Water programmes.

- Signatory to an IIGCC-facilitated letter to the EU commission on Preserving the EU Taxonomy's sustainable purpose.
- Supported a joint letter from the IIGCC, PRI and UKSIF to UK PM Rishi Sunak in September 2023, arguing that delaying key targets and lowering climate-ambitions could result in the UK missing out on investment to other nations that are taking a more consistent, long-term approach.
- Signatory to the CPD's 2023 Science-Based Targets Campaign.
- Endorsed the UN PRI Spring initiative, with the objective of investors contributing to the goal of halting and reversing biodiversity loss by 2030.
- Signatory to the ICGN Statement on High Standards of Corporate Governance and Investor Protections as Pre-requisites for UK Capital Market Competitiveness and Growth.

To retain the coveted status of a signatory to the UK Stewardship Code, organisations are required to produce an annual Stewardship Report, to be assessed by the Financial Reporting Council (FRC), explaining how they have applied the principles of the Code in the previous 12 months. NILGOSC was officially listed as a signatory to the UK Stewardship Code in September 2022 and submitted its second report in May 2023. It was pleasing to note that NILGOSC retained its signatory status in August 2023, demonstrating continued efforts and improvements in the stewardship of the Fund's assets. NILGOSC's latest report is available to view at **https://nilgosc.org.uk/resource-category/responsible-investment-documents-and-statements/**

As a global investor, NILGOSC recognises climate risk as a key investment risk to pension scheme investments and capital markets more broadly. Accordingly, NILGOSC has set out a series of actions it will take in its Climate Risk Statement which includes working with others to engage with governments and companies, engaging with the Fund's investment managers to monitor how climate change risk is being taken into account and continuing to increase holdings in low-carbon transition sectors, such as wind and solar, energy-from-waste, and public transport. NILGOSC voluntarily reported against the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations for the third year, publishing its report for the year ended 31 March 2023 in December 2023. The report is available to view at **https://nilgosc.org.uk/resource-category/responsible-investment-documents-and-statements/**

## Scheme Administration

Scheme membership grew by 5.3% during the year, bringing the total number of members to 169,490 at 31 March 2024. Of this total, 51% are actively contributing to the pension scheme, 21% have previously contributed but have not yet reached retirement and the remaining 28% are currently in receipt of a NILGOSC pension every month. Meeting the needs of these three membership groups continues to be NILGOSC's core function.

Arguably the biggest challenge to public sector pension scheme administration in a decade arrived in October 2023, with the laying of the long anticipated McCloud Remedy regulations. These amending regulations introduce scheme changes that were required as a result of the McCloud legal judgment, which found that transitional protection arrangements put in place in certain public sector pension schemes were discriminatory on the grounds of age. The McCloud remedy regulations effectively removes the old discriminatory underpin and replaces it with a new, expanded underpin. While preparation work has been underway for some time, the new regulations increased the scope of those eligible for the remedy which has led to a significant increase in administration, well beyond that initially anticipated. The new regulations effectively changed the benefit structure for a significant cohort of scheme members, which created an immediate requirement to update pension software, systems, processes and all scheme literature. As the regulations are retrospective in nature, any benefits paid or accrued on or after 1 April 2015 will need to be reviewed and, in some cases, recalculated to reflect the revised underpin. Work is already underway to collect any additional data required from Scheme employers and/or members, and initial estimates indicate over 50,000 records may need to be reviewed.

Currently one of the biggest risks for NILGOSC is its ability to attract and retain skilled staff. NILGOSC is in a unique position in that it is the only LGPS fund in Northern Ireland and therefore cannot avail of a readily available pool of skilled staff across its pensions, investment and finance teams. Staff turnover for the year to 31 March 2024 was 25.4%, which remains well behind the corporate plan objective to maintain turnover below 20%. Current pay scales are the dominant factor behind ongoing recruitment and retention challenges and in December 2022 NILGOSC developed and agreed pay proposals that align with other local government bodies and trade union demands.



Unfortunately, Departmental approval remains outstanding over 15 months on, and NILGOSC has been unable to implement the necessary action to mitigate the risk. Not unexpectedly, the sustained levels of staff turnover and combined impact of vacancies and training lead-times did lead to a decline in service delivery performance as well as the deferral of certain non-time critical activities. Service delivery performance to 31 March 2024 fell within the range 90%-100% when measured against published in-house service standards with 3 exceptions: retirement quotations, refund quotations and early leaver options. 86% and 73% of retirement and refund quotation requests respectively were processed within the 10 day service standard; while 53% of leaver notifications were processed within the 20 day target. The remaining service delivery related operational actions remain in line with or ahead of published service standards.

Member satisfaction continues to be monitored closely and the results of the annual satisfaction survey undertaken in February 2024 show an overall satisfaction level with the service provided of 91%. Satisfaction levels were also very high for scheme employers, 97% of which rated the service provided throughout the year as either Good or Excellent.

Progress continues with the ongoing roll-out of i-Connect, the integrated data collection and verification system which will allow employers to submit payroll and pension data directly to NILGOSC via a secure portal.

129 employers have been onboarded to the new system at 31 March 2024 and are now submitting monthly data through the portal. The later phases of the project have experienced some delays as larger employers are required to develop a compliant extract file to feed into the i-Connect system, which in turn requires software developments and resource at the employer end. The intention remains to have all scheme employers onboarded and successfully submitting monthly returns by 31 March 2026.

Keeping with system developments, a new finance and procurement platform was successfully implemented during the year and good progress continues to be made with respect to the planned implementation of a Cloud-First strategy, as legacy resources reach end of life. With cyber risk remaining high on the agenda, it is pleasing to report that NILGOSC retained its Cyber Essentials Plus accreditation, following a rigorous external assessment in March 2024. At a national level, the implementation date for the LGPS to connect to the Pensions Dashboard has been pushed back to 30 September 2025, following a UK Government decision to pause and reset the project. Over the last twelve months NILGOSC has continued to take steps to assess and enhance the accuracy of data held to ensure compliance with anticipated legislative requirements and timeframes.

With respect to its corporate plan, it is pleasing to report that NILGOSC delivered 86.7% of planned activities during 2023/24 and has set out its plans for the year ahead in the Corporate Plan 2024/25-2026/27.

## Looking Forward

As noted above, the biggest challenge to the administration of public sector pensions over the next twelve months is the implementation of the McCloud remedy regulations. The late receipt of the regulations relative to the effective date, together with the widening in scope, left insufficient time for software programming to be updated in advance. While the software provider continues to issue software updates on a regular basis, outstanding programming, together with the additional data collection required, means that automation is currently limited and manual intervention will be necessary for the foreseeable future. The remedy regulations are technically complex and the additional work created will be the primary challenge to administrative efficiency and service delivery in the year ahead.

From a member perspective, the default delivery method for many members is now *My NILGOSC Pension Online*, the online self-service facility, which allows members to access and update their record at their convenience as well as run projections on their expected pension. This integrated, online portal is provided by NILGOSC's pension software provider, who has indicated that the existing portal will be upgraded in 2024/25 with a new member engagement platform expected to be in operation by 31 March 2025. A key challenge will be the successful transition of members to the new online portal, together with the maintenance of current registration and usage levels following the move.

The next triennial valuation of the Fund will take place on 31 March 2025, with a publication date of 31 March 2026. By way of preparation, work will commence in 2024/25 with respect to pre-valuation data cleansing and a thorough review of employers' financial strength and ability to meet pension scheme liabilities now and in the future. This assessment is an important control to help mitigate the risk of one employer's pension liabilities being spread across other employers in the scheme in the event of default.

Every three years NILGOSC undertakes a strategic review, which includes a comprehensive review of NILGOSC's Vision, Mission, Values and Strategic Aims and Objectives. Each of these components is set at a strategic level, with specific operational challenges and objectives identified at the detailed business plan level. The next strategic review is scheduled for Spring 2024 and will inform the direction of the organisation for the following three years.

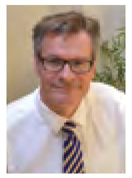
Also at a strategic level, NILGOSC will be commencing its formal three-yearly review of the investment strategy early in the new financial year. As part of this review, the ongoing effectiveness of NILGOSC's existing investment strategy will be thoroughly assessed, taking into account current economic conditions, funding levels and expected future investment returns. Recent improvements in overall Scheme funding will provide an interesting backdrop to discussions around future risk appetite and investment opportunities. An inherent part of this review will also be to ensure that NILGOSC's responsible investment policy remains embedded in decision making, with climate risk mitigation continuing to be a key factor.

## Thanks

We would like to express our thanks to current Committee members for their time and commitment over the past year. 2023/24 also saw one Committee member and the Chair reach the end of their term of office and we place on record our sincere thanks to Mark McBride and Lindsay Todd for their important contribution.

Lastly, we would like to take this opportunity to acknowledge the continued dedication, resilience, skills and support of the staff and management team whose hard work helped deliver the many achievements set out in this report.

**Derek McCallan**
Interim Chair



**David Murphy**
Chief Executive and Secretary



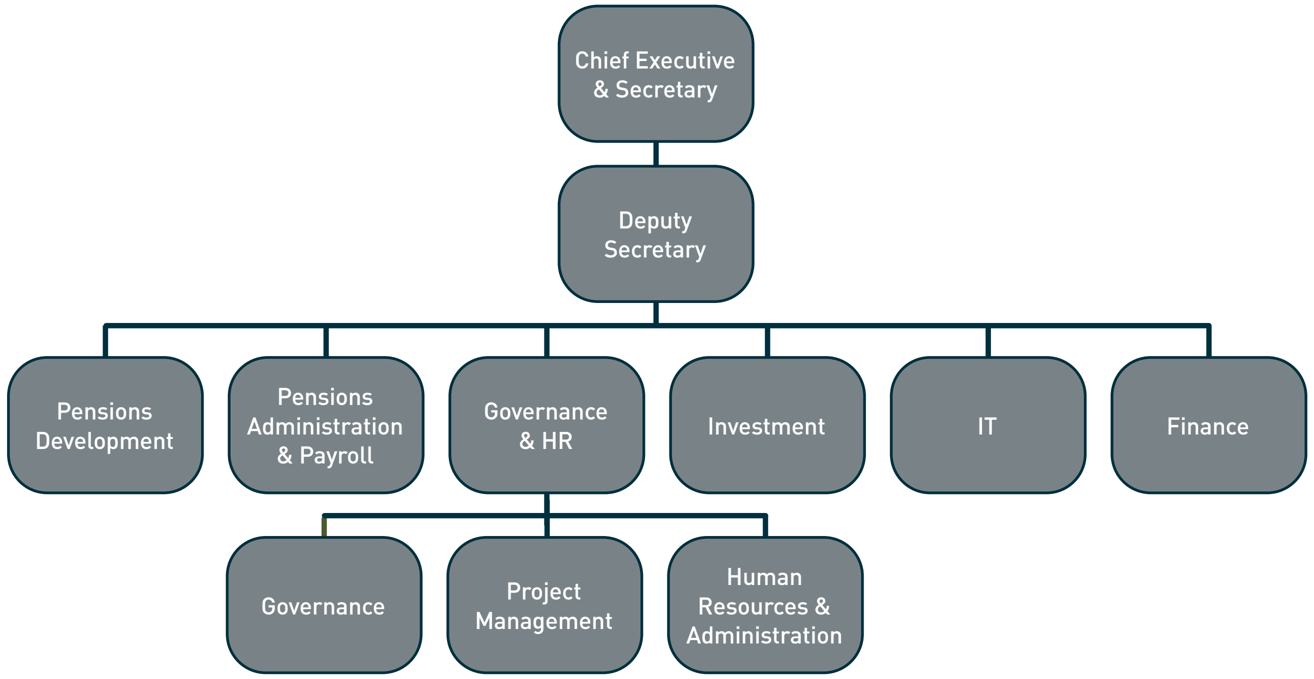
## STATEMENT OF PURPOSE AND ACTIVITIES OF THE ORGANISATION

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 85 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 2023/24, is set out on pages 31 to 44.

## KEY ISSUES AND RISKS

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

Further information on NILGOSC's risk assurance framework is contained within the Governance Statement on pages 71 to 78.

NILGOSC provides a frontline service to its members and pensioners and prides itself on providing a high-quality service to all its stakeholders. A fully resourced, professionally trained organisation is critical for NILGOSC if it is to meet key performance targets. A post-pandemic uplift in staff turnover continued throughout 2023/24 with a predictable impact on NILGOSC's annual performance against key metrics. With respect to the corporate plan, 86.7% of operational actions were either achieved or substantially achieved (2022/23: 86.9%), while 5 out of 16 service standards were missed, a similar service performance metric to 2022/23. The impact was also felt on a number of project related actions, which were delayed as resources were diverted to core service delivery related activities.

The high level of turnover experienced over the last four years, together with the lengthy periods required to train staff in specialist pension and investment areas, remains the key challenge to the organisation going forward. In an attempt to address these recruitment and retention challenges, NILGOSC took a number of actions during 2022/23 to address the risk, streamlining its recruitment processes and developing pay proposals which would align NILGOSC with comparable public sector employers. The pay proposals, which would align salaries with the local government sector, were approved by the Committee in December 2022, however NILGOSC has been unable to implement this without approval from the Department of Communities, which remains outstanding. Further action in the form of an organisation wide job evaluation exercise, planned for 2023/24 has been subject to stakeholder consultation which has pushed completion of this exercise into 2024/25.

A full complement of experienced staff is required if NILGOSC is to meet the demands of the external environment which often presents significant challenges. Policy, legislative and taxation changes, often with little or no lead-in period, can impact materially on the administration of the Scheme. Such was the case following the introduction of the Local Government Pension Scheme (Amendment No. 2) Regulations (Northern Ireland) 2023 which were made on 28 September 2023, came into operation from 1 October 2023 and have retrospective effect to 1 April 2015. These regulations substantially extended the scope of the age based transitional protections, or 'underpin' following the 2019 UK Court of Appeal ruling in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant).

As with any material change in benefit structure, the 2023 Regulations have required major updates to all NILGOSC's systems, software, operational processes and scheme literature. The extremely brief implementation window and last minute widening of scope created additional challenges as further data collection is now required from Scheme employers, together with additional software programming. Whilst software is working for the majority of cases, further releases are still required and longer processing times are to be expected as additional checks and, in some cases, manual intervention is required to ensure that benefits continue to be calculated correctly.

The operational impact of the 2023 Regulations, coupled with sustained high staff turnover, has placed additional demands on the core administrative teams, as noted previously. Also, linked to the McCloud Judgement is separate litigation taken by NIPSA on behalf of its members which due to its scale has resulted in not insignificant additional administration burden for NILGOSC.

Poor data quality remains one of the key risks to the achievement of NILGOSC's corporate aims and objectives and in 2023/24 NILGOSC continued to roll-out its data exchange platform for Scheme employers. This secure platform automates the submission of pension data on a monthly basis, by generating an extract directly from the participating employer's payroll systems. This integrated data collection and verification system eliminates the need for the manual and time-consuming provision of member information. Once fully operational it is expected to yield significant benefits from a data accuracy and information security perspective. By March 2024, 129 out of 169 Employers had been onboarded and were actively using the system. This data quality initiative will assist NILGOSC in preparing for its revised Pensions Dashboard connection deadline of 31 October 2025. This UK wide government initiative is designed to enable individuals to access a single source for all their pensions information online to support better retirement planning.

Like all public sector bodies, preventing fraud remains a key priority and 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 2022/23 data matching exercise. Data was received in January 2023 and progress has continued through 2023/24 in investigating and resolving these matches. An update in relation to the NFI exercise is provided in the Performance Report on page 25.

The post-pandemic accelerated trends in remote and flexible working has placed increased reliance on IT infrastructure. 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. Like all public bodies, the threat of cyber-attack remains high and in March 2024 NILGOSC sought and obtained Cyber Essentials Plus accreditation. Cyber Essentials is a UK Government backed scheme which aims to help organisations protect themselves against cyber-attacks. Additional assurance is obtained from an annual, independent Penetration Test exercise. Any potential cyber threat vulnerabilities identified following these exercises is evaluated, and prioritised, with remedial actions taken by NILGOSC and its cyber partners. It is recognised that this will be a constant and continually developing threat which NILGOSC needs to monitor and evolve its mitigation strategies to address.

Locally, the return of the NI Assembly early in 2024 was welcomed however departmental budgets remain constrained in 2024/25, with pay agreements across the public sector placing a strain on limited budgets. From a horizon scanning perspective, NILGOSC remains alert to the potential for a more significant increase in benefits administration as a result of future redundancies or voluntary exit schemes.

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. However, the results of the 2022 triennial actuarial valuation reported an overall Fund surplus of 111%, which combined with an increase in gilts yields, upon which exiting employers' liabilities are estimated, has provided opportunities for smaller employers to exit the Scheme on favourable terms. The asset returns in 2023/24 continue to exceed the assumptions set at the last actuarial valuation and individual employers have, in some instances, been able to recognise a surplus in their financial statements in the last two years. In preparation for the next actuarial valuation at 31 March 2025, NILGOSC will conduct a thorough employer covenant assessment aimed at assessing financial strength and mitigating the risk of future employer defaults.

Despite the Fund's surplus position, there remains a risk that the short to medium-term impact of inflation, other economic stresses and tightening of government spending will impact the Scheme's employers and could present challenges in meeting their short and long-term obligations. NILGOSC will continue to work with its employers and the Department for Communities to manage any potential increase in employer default and any such impact on the Scheme funding level.

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 ongoing risk management process. In addressing its strategic theme of long-term scheme sustainability, NILGOSC continued to execute actions required to bring the Fund in line with the agreed asset allocations from the 2021 Investment Strategy Review. This included the appointment and allocation of funds to a new global equity manager and global property manager. The next triennial Investment Strategy Review is due in September 2024, which will set the strategic direction for the years ahead.

Global financial markets performance exceeded expectations despite some gloomy recession forecasts. On an absolute basis, the Fund's overall return on the total assets for 2023/24 saw a very positive turnaround from the previous period at 9.83%; (2022/23: -6.85%). Despite this strong positive return, the Fund remained behind its investment target of CPI + 3% per annum measured on a rolling 3 and 5 year basis, primarily due to continued market volatility and persistent global inflationary pressures. CPI has been chosen as a benchmark as it offers an absolute measure which reflects the relative value of money in the real world, which is essential when the goal is ultimately to pay inflation linked pensions into the future. It is however less meaningful over shorter periods, particularly when inflation moves significantly from historical averages and central bank target ranges as seen in recent times. Whilst short-term returns are currently below target, NILGOSC continues to believe that its well diversified investment strategy will deliver the longer-term stable, risk adjusted returns necessary to maintain the current strong funding position.

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 54.

## 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 65 in the Performance Analysis section of the Annual Report.

### Administration of the Scheme

- Membership of the Scheme continued to grow during the year with 169,490 (+5.3%) contributing members, pensioners and deferred pensioners at 31 March 2024.
- There was no change to the number of employing authorities during 2023/24. As at 31 March 2024, there were 169 employing authorities contributing to the Scheme.
- Following the latest actuarial valuation as at 31 March 2022, employer contribution rates were set at 19.0% for the three years commencing April 2023 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) 2023 increased pensions which had been in payment for more than a year (commenced before 26 April 2022) by 10.1%. A proportionate increase applied to any pensions beginning on or after 26 April 2022 but before 26 March 2023.
- Sustained high staff turnover and recruitment challenges impacted on service delivery to stakeholders as measured by NILGOSC's internal service standards. 11 out of the 16 service standards were met or exceeded as set out in the table starting on page 27.
- Resource challenges also impacted on NILGOSC's delivery of its 2023/24 Corporate Plan. NILGOSC achieved, substantially achieved or was on target to achieve 85 out of the 98 operational actions, which equates to an achievement rate of 86.7% (2022/23 86.9%).
- A stakeholder satisfaction survey was undertaken in February 2024 to measure the satisfaction levels of Scheme members, pensioners and employers. The aggregate satisfaction rate across all stakeholder groups was 92.25% (2022/23: 92.0%).

- Utilisation of *My NILGOSC Pension Online*, the member self-service facility, has continued to grow with over 57,000 members registered at 31 March 2024 (2022/23: 42,000) indicating a clear demand for information being available online.
- NILGOSC's continued roll-out of its new data exchange platform for Scheme employers, i-Connect, saw 129 employers onboarded and actively using the system by 31 March 2024.
- NILGOSC measures its data quality annually and has recorded an improvement in both its common data score and scheme specific data score for the last two years with scores of 99.9% and 99.3% respectively.
- During the year ended 31 March 2024 NILGOSC received a total of 23 ill-health retirement appeals, 8 formal complaints, 4 service delivery complaints and 16 informal complaints, a total of 51 appeals/complaints (2022/23: 56).

### Investment of the Fund

- Despite continued geopolitical tensions and high levels of inflation, most major economies proved more resilient than anticipated, and the majority of financial markets generated positive returns in the 12 months to 31 March 2024. Overall there was an uplift in Fund value in absolute terms of £933m to £10.463 bn representing a 9.79% increase.
- The Fund performance while generating positive annual returns in absolute terms, remains behind its target of CPI +3.0% by -7.62% and -2.32% on a three and five-year basis respectively for the period ended 31 March 2024. Performance across individual investment mandates was mixed, as strategies responded differently to the market conditions.
- The comparable statistics for the three and five year periods to 31 March 2024 on an annualised basis are set out in the following table:

| | 3 Years | 5 Years |
|---|---|---|
| NILGOSC | 2.24% | 5.41% |
| CPI + 3.0% | 9.86% | 7.73% |

- Overall, it was a disappointing year for NILGOSC's active equity managers, with none of the mandates meeting their target, although all delivered positive absolute returns. The exception was NILGOSC's new global equity manager, funded in March 2024. Despite the very short period of time under management, the new manager delivered returns in excess of target and contributed to the overall 2023/24 absolute returns (+14.75%).
- Fixed income markets had a mixed year with inflation and geopolitical tensions continuing to impact on global fixed income markets. Returns on UK gilts were flat although the UK credit market performed positively. NILGOSC's Multi-Asset Credit (MAC) managers both delivered positive absolute returns with one significantly improving on the prior year performance and ending the year marginally ahead of target. The Absolute Return Bonds (ARB) Managers had a varied performance with one of the managers posting negative absolute returns and ending the year significantly behind target.

- The UK Property market had another difficult year encountering further repricing. Despite this, the core UK property portfolio outperformed the market and delivered a positive absolute return of 3.1% over the year, outperforming its target for the year by 3.7%. The Index Linked Property and Private Residential portfolios did not fare as well, both delivering negative absolute returns and falling considerably short of target.
- It has been a challenging year for global property markets as elevated interest rates continued to impact on valuations. NILGOSC's global property manager has not been immune to these market forces, posting negative returns for the year, significantly behind target (-12.3%). A second global property manager was appointed in December 2023 to manage a portfolio of £285m to be drawn down over the next few years. No drawdowns were made before the financial year end.
- NILGOSC sought to capitalise on some of the equity gains realised during the period by making a temporary strategic allocation to cash (8.5%).
- NILGOSC took part in a number of climate risk mitigation activities in 2023/24, including as signatory to the CDP's (formerly the Carbon Disclosure Project), Climate Change, Forests and Water programmes and renewing its commitment by signing up to their 2024 programmes, and Science Based Targets Campaign.
- In December 2023 NILGOSC produced its third TCFD aligned Climate-related Disclosures report for the year ended 31 March 2023.
- NILGOSC continues to exercise its voting rights in investee companies and voted at 192 AGMs and other corporate meetings during 2023/24. The main areas of dissent continue to be executive remuneration practices, board composition or where significant Environmental, Social and Governance (ESG) failings are identified.



# 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 Head of Pension Services, 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 3.0% 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 71 - 78. 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 2022 was 10.1% and this was applied to the actual pensionable pay ranges for 2023/24. The rates effective from 1 April 2023 were as follows:

| Actual Pensionable Pay Range | Employee Contribution Rate |
|---|---|
| £0 - £16,900 | 5.5% |
| £16,901 - £26,000 | 5.8% |
| £26,001 - £43,400 | 6.5% |
| £43,401 - £52,800 | 6.8% |
| £52,801 - £104,700 | 8.5% |
| More than £104,700 | 10.5% |

Employers' contribution rates are determined by the Scheme's Actuary every three years. The most recent valuation took place as at 31 March 2022 and set the employers' contribution rates for the period from 1 April 2023 to 31 March 2026. 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% for the three years commencing 1 April 2023.

| Year | Employer Contribution Rate |
|---|---|
| 1 April 2023 – 31 March 2024 | 19% |
| 1 April 2024 – 31 March 2025 | 19% |
| 1 April 2025 – 31 March 2026 | 19% |

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

The next valuation takes place as at 31 March 2025.

## 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 2023/24 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) 2023 were made on 17 May 2023, came into operation on 12 June 2023 and had retrospective effect to 1 April 2023. These amending regulations changed the annual date of revaluation for career average revalued earnings pension from 1 April to 6 April. This change results in the same inflation figure being used for the revaluation adjustment in the tax year commencing 6 April as is used for the tax calculation specified by HMRC for annual allowance pension savings purposes for that year.

The Local Government Pension Scheme (Amendment No. 2) Regulations (Northern Ireland) 2023 were made on 28 September 2023, came into operation from 1 October 2023 and have retrospective effect mainly to 1 April 2015. The main purpose of these Regulations was to make amendments to the statutory underpin. When public service pension schemes were reformed in 2015, older members were protected from the changes by an underpin. In 2018, the Courts ruled that younger members of the Judges and Firefighters' pension schemes had been discriminated against as the changes did not apply to them. The Government confirmed that changes would be made to all main public service pension schemes, including the Local Government Pension Scheme in Northern Ireland (LGPS (NI)) to remove this discrimination. These changes were known as the McCloud Remedy and, in the LGPS (NI), the statutory underpin is amended so that it protects all eligible members and not just the older members.

Members have underpin protections in the LGPS (NI) if they meet all of the following conditions:

- they were paying into the LGPS (NI) at any time between 1 April 2015 and 31 March 2022
- there were paying into the LGPS (NI) or another public service pension scheme before 1 April 2012
- they do not have a disqualifying break; and
- they were younger than their final salary normal retirement age, usually age 65, at any time between 1 April 2015 and 31 March 2022.

A disqualifying break is a continuous period of more than five years where they were not paying into either the LGPS (NI) or any other public service pension scheme.



## Scheme Membership

The number of active, deferred and pensioner members of the Scheme continued to grow during 2023/24.

## Members

Membership of the Scheme increased during the year to 169,490 members. At 31 March 2024, the Scheme consisted of 84,090 contributing members, 45,711 pensioners and 34,826 deferred members plus 4,863 members with a miscellaneous classification.

## Employing Authorities

At 31 March 2024, there were 169 employing authorities contributing to the Scheme. These employing authorities were composed of 11 councils, 1 Education Authority, 1 Library Authority, 47 associated bodies, 89 schools, 9 further and higher education colleges and universities and 11 employers with restricted membership (closed to new members). In March 2024, Habinteg Housing Association Limited confirmed it had changed its name to Woven Housing Association Limited. A full list of these organisations can be found on pages 142 – 144.

## Revaluation of CARE Benefits

The Public Service Pensions Revaluation Order (Northern Ireland) 2023 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 10.1% was applied on 6 April 2023 to CARE benefits built up in the LGPS (NI) to 31 March 2023. This change in the effective date of the increase reflects the Department for Communities' March 2023 consultation which proposed changing the CARE revaluation date from 1 April to 6 April from 31 March 2023. The purpose of the change was to remove an anomaly in the regulations that included inflation in the calculation of pension savings for annual allowance purposes. Without this change, the high inflation rate would have meant that many members could have incurred additional pension savings tax charges. The Regulations amending the date of CARE revaluation from 1 April to 6 April were made on 17 May 2023, came into operation on 12 June 2023 and had retrospective effect to 1 April 2023.

## 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) 2023, operational from 10 April 2023, increased pensions which had been in payment for more than a year (commenced before 26 April 2022) by 10.1%. A proportionate increase applied to any pensions beginning from 26 April 2022 but before 26 March 2023.

The Guaranteed Minimum Pensions Increase Order (Northern Ireland) 2023 increased GMPs by 3.0% from 6 April 2023.

## Changes to Factors used in LGPS (NI) Pension Calculations

On 30 March 2023, HM Treasury announced that the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate had reduced from CPI plus 2.4% to CPI plus 1.7%. The SCAPE discount rate is used by the Government Actuary's Department (GAD) to set factors for most of the member benefit calculations that NILGOSC undertakes e.g. transfers, late retirement, additional pension, early retirement etc. Over the next seven months GAD reviewed and updated the suite of factors for the LGPS (NI). This exercise completed in October 2023. However, from 1 October 2023, because of the Local Government Pension Scheme (Amendment No. 2) Regulations (Northern Ireland) 2023, transfers out and club transfers that included McCloud Remedy service were suspended while updated guidance was prepared to take account of the McCloud Remedy. At 31 March 2024 this GAD guidance remains outstanding.

## Triennial Valuation as at 31 March 2022

The last triennial valuation was carried out as at 31 March 2022 and set out the employers' contribution rates for the three year period from 1 April 2023 to 31 March 2026.

The overall funding level was 111% with a surplus of £1,004.4m relative to the liabilities. The future service (common) contribution rate, which is the cost to employers of providing the pension benefits members build up each year, was 22.1%. The past service rate, which looks backward, is the adjustment needed to reduce the funding level of the Fund as whole to an agreed threshold (in NILGOSC's case 105%) over a recovery period of 20 years. The past service rate was set by the actuary at -2.3% giving a total employer contribution rate, as percentage of pay, of 19.8%.

Individual employers' contribution rates differ depending on whether they are in the Main Employer Group, their membership profile, funding level and recovery period.  Employers assessed by NILGOSC as having a strong covenant and whose participation in the Scheme is considered indefinite in nature, form the Main Employer Group and have a contribution rate of 19% for each of the next three years. Each employer that is not in the Main Employer Group has its own individual rate set and some also have additional deficit recovery contributions depending on individual circumstances.

The next triennial valuation will be as at 31 March 2025 and it will set the employers' contribution rates from 1 April 2026 to 31 March 2029.

## 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%. Initially the margins were set within a +/- 2% corridor. This applied for the 31 March 2016 cost cap valuation. Following a further review, the Government widened the corridor to +/- 3% and introduced an economic check that would apply to the 2020 cost cap valuation.

The results of the 2020 cost cap valuation were published in April 2024. The core cost of the Scheme was outside the 3% cost cap corridor (4.1% below the employer cost cap of 17%) but when the wider economic situation was taken into account through the economic cost cap cost (6.4% above the employer cost cap of 17%) the cost cap corridor was not breached. A breach of the cost cap mechanism occurs only if both the core and economic cost caps are outside the corridor and in the same direction. As these breaches are in opposite directions, there is therefore no need for the Department for Communities to consult on changes to the Scheme.

## Indexation and Equalisation of Guaranteed Minimum Pensions (GMP)

From 6 April 2016 onwards, the LGPS (NI) has been responsible for paying full indexation for members who reach state pension age on or after that date i.e. no increase in respect of the GMP is paid along with a member's state pension. This change was initially achieved by an interim solution which became permanent from 1 April 2021. This means that the LGPS (NI) is responsible for fully uprating the GMP pensions in line with the Consumer Prices 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

Section 10 of the Finance Act 2022 increases the normal minimum pension age from 55 to 57 from 6 April 2028. The Department for Communities will need to change the Scheme rules to align with the normal minimum pension age before 6 April 2028 and consider whether members who qualify for protections will be allowed to receive payment before age 57.

## Independent Review of the State Pension Age

The results of the last review of the State Pension Age were published by the Department for Work and Pensions on 30 March 2023. State Pension Age is currently age 66 and there will be a gradual increase to age 67 for those born on or after April 1960.




There is a further increase to age 68 between 2044 and 2046 for those who were born on or after April 1977. There will be another review within two years of the next Parliament, and it will again consider whether the increase to age 68 should occur earlier.

As the normal pension age for Scheme benefits is now linked to the State Pension Age, any change in State Pension Age will affect the normal pension age for pension benefits payable by the Scheme.

## 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 (PDP) to design and implement the infrastructure for the pension dashboards. The vision of the Pensions Dashboards Programme (PDP) 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 draft Pensions Dashboards Regulations 2022 were published for consultation in early 2022 and came into force on 12 December 2022. The Regulations confirmed that NILGOSC would have a go live deadline of 30 September 2024.

In March 2023, Laura Trott, Parliamentary Under Secretary of State for Pensions, made a statement for the Department of Work and Pensions (DWP) which detailed delays in the delivery of the IT systems that make up the dashboards digital architecture. Given these delays, the Pensions Dashboard Programme was reset and subsequently The Pensions Dashboards (No. 2) Regulations (Northern Ireland) 2023 came into operation on 8 December 2023.

These latest regulations delayed NILGOSC's connection deadline to 31 October 2026 but stated that it would have to have regard to the staging timetable that would be set out in guidance. This guidance was published on 25 March 2024 and gave NILGOSC a revised "Connect by" date of 31 October 2025.

## 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 purposes of assisting in the prevention and detection of fraud. NILGOSC continues to participate in the NFI Data Matching Exercise. NILGOSC is actively pursuing recovery of the £10k overpayment identified in the 2022/23 exercise, which was confirmed as fraud. NILGOSC continues to pursue recovery of any overpayments identified through previous NFI data matching exercises.

## Equality, Social Matters and Human Rights

NILGOSC has a commitment to the fulfilment of its duties under Section 75 of the Northern Ireland Act 1998 and NILGOSC's Equality Scheme states that it will report on the progress it has made in the delivery of its Section 75 statutory duties. NILGOSC's Annual Equality Statement is set out on pages 136 – 137 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.

NILGOSC includes social value evaluation criteria when procuring goods and services exceeding the public procurement threshold (£138k).

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 58.

## 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/wp-content/uploads/2023/03/Anti-Bribery-Policy-1.pdf

## Environmental Matters and Sustainability Targets

NILGOSC's Statement of Investment Principles acknowledges that environmental, social and governance (ESG) issues can affect the financial performance of investment portfolios and states that NILGOSC 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, including by voting against management where there are significant ESG failings. NILGOSC's expectations for good corporate governance are laid out in its Proxy Voting Policy, which is reviewed and updated annually.

NILGOSC developed its Statement of Responsible Investment to further outline how ESG issues are incorporated into its investment practices. Recognising that of all of the ESG risks facing investors, climate change has arguably the greatest potential for widespread impact, NILGOSC also developed a Climate Risk Statement. This statement sets out the framework within which climate risk is taken into account across the range of assets in which NILGOSC invests and confirms NILGOSC's support for the aims of the Paris Agreement, which seeks to limit global temperature rise to below 2°C degrees above pre-industrial levels. In June 2020, NILGOSC became an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and produced its third TCFD-aligned Climate-related Disclosures report (for the year ended 31 March 2023) in December 2023.

Further information regarding ESG issues and NILGOSC's actions to address climate risk during the year are provided within the Investment of the Fund section of the 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 including 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 2024, the internal auditor, ASM, tested NILGOSC's service standards reporting system and performance outturn as part of its annual validations review.

The following table provides a summary of performance against the service standards during 2023/2024:

| Task | Standard (working days) | Target Performance % | 2023/24 Actual Performance % |
|---|---|---|---|
| Lump sum retirement payments | 10 days | 90% | 94% |
| Death grant payments | 10 days | 90% | 93% |
| Leaver options notifications | 20 days | 90% | 53% |
| Refund payments | 10 days | 95% | 99% |
| Refund quotations | 10 days | 90% | 73% |
| Transfer out quotations | 20 days | 90% | 94% |
| Transfer out payments | 10 days | 90% | 93% |
| Transfer in quotations | 10 days | 90% | 91% |
| Transfer in confirmations | 20 days | 90% | 95% |
| New entrant certificates | 20 days | 95% | 99% |
| Correspondence | 10 days | 95% | 94% |
| Benefit quotation requests | 10 days | 90% | 86% |
| Issue members' annual report | By 30 November | 100% | 100% |
| Issue members' annual benefit statements | Within 5 months of year end, unless relevant data unavailable | 100% | 99% |
| Pensions paid each month | Last banking day of month | 100% | 100% |
| P60s issued to all pensioners | By 31 May | 100% | 100% |

As noted throughout this report, the 2023/24 year continued to provide challenges for NILGOSC, and this is reflected in performance falling short of service standards in five areas. Service delivery was in line with or exceeded target for the remaining 11 standards (2022/23: 11/16 targets met). Sustained high levels of staff turnover and corresponding recruitment and retention challenges all contributed to failure to meet certain service standards, as did the amending McCloud Regulations which were issued one working day ahead of the effective date. During those periods when resource cannot match demand, actions which have a monetary impact on members, such as retirement and death benefit payments will be prioritised. Two activities fell considerably short of target; the provision of leaver option notifications (53%) and refund quotations (73%). The remaining three actions that fell short of target are within 4% of standard.

## Service Delivery Enhancements

### i-Connect

In January 2022, NILGOSC launched a project in conjunction with its employers to transition to a new data exchange platform. This secure platform automates monthly submission of pension data, either by accepting an extract directly from the participating employer's payroll systems or by employers updating it online. The objectives of the project are to improve the quality of the data, accuracy of member records and spread the administration over the year, rather than having a peak following year end.

NILGOSC has adopted a system called 'i-Connect' for this secure data exchange from employers' payroll platforms to NILGOSC's pension administration system. The project is adopting a phased approach and is scheduled to complete March 2026. By 31 March 2024, 129 employers had been onboarded and were actively using the system.

Initial feedback on the system and the transition experience has been positive with 92% of employers rating it 'Good' or 'Excellent' in the latest stakeholder satisfaction survey. 94% of employers rated the post-onboarding support as 'Good' or 'Excellent'.

### *My NILGOSC Pension Online*

*My NILGOSC Pension Online*, the self-service facility for members, was launched in 2018/19. 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. NILGOSC continues 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.

NILGOSC has moved the default delivery setting for active and deferred members to electronic, subject to individual member preference. As a result, Scheme communications such as annual benefit statements and newsletters are issued online via *My NILGOSC Pension Online* unless postal communications have been specifically requested.

In addition to its secure member self-service facility, NILGOSC makes available a wide range of information through its public website **www.nilgosc.org.uk**. In the year to 31 March 2024 the website had around 364,391 users, 385,367 individual sessions and over 392,000 page views.

Communication and member engagement remains a strategic priority for NILGOSC, and it continues to monitor member satisfaction and behaviour. As at March 2024 over 57,000 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 2023/24 satisfaction survey, members gave a satisfaction rating of 93.5% 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 moving to virtual service delivery. Whilst there are undoubtedly benefits to members to be able to access their pension information electronically at a time of their choosing, 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. NILGOSC also operates a biennial reconnection programme to its deferred members which is designed to reconnect with those members who are less engaged with their pension scheme. The next stage in the programme cycle will see reconnection letters issued in March 2025 to any deferred members who have not registered for *My NILGOSC Pension Online*.

### Satisfaction Survey

A Stakeholder Satisfaction Survey for the year 2023/24 was carried out in February 2024. Surveys were drawn up for members, deferred members and pensioners, relevant to the service they receive from NILGOSC. Approximately 3,767 surveys were sent to the three member groups, and the response rate averaged at 26.18%. In addition, online surveys were also sent to 169 employing authorities. A total of 35 employers responded to the survey, a response rate of 20.71%.

The surveys focused on three main areas:

- Publications
- Customer service
- *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 85.19% for deferred members, 91.27% for active members and 96.57% of pensioners. 96.97% of employers indicated a satisfaction rating of good or excellent. The aggregate satisfaction rate across all stakeholder groups was 92.25% (2022/23: 92%).

### Publications

Respondents were asked to rank communication materials on a scale of 1 to 5 (1 being poor and 5 being excellent). Questions related to relevance of information, presentation and layout and ease of understanding. 93.34% of member respondents and 97.77% 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 including staff knowledge, courtesy and professionalism. Overall customer service received a good or excellent rating from members and employers of 92.26% and 90.22% respectively.

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

Elements of *My NILGOSC Pension Online* surveyed included ease of registration, quality and accuracy of information provided, look and layout of website and ease of use and 93.5% of respondents gave an overall rating of good or excellent.

Respondents were also asked to rate the look, usefulness, and quality of content on the NILGOSC website. Satisfaction across all stakeholder groups was high with 94.43% of respondents rating the NILGOSC website as good or excellent.

### Seminars to Employers and Members

NILGOSC is committed to supporting its members to better understand the Scheme. To do this, NILGOSC regularly invites employers, members, and trade union representatives to attend topical pension information sessions. These sessions include a live demonstration of how to use the member portal, *My NILGOSC Pension Online,* and are categorised as follows:

- Approaching Retirement
- Welcome to the Scheme
- Scheme Benefits

NILGOSC also provides Scheme Administration training for employers twice-yearly.

Sessions can be held either online, or in person at an employer's premises upon request. Recordings are also made available on NILGOSC's website for those unable to attend a live event.

In the 2023/24 year, NILGOSC hosted 44 pension information sessions for members and employers, with a total of 3,809 attendees. The satisfaction survey showed that 67% of employer respondents had attended a NILGOSC seminar in the last year and 98% of those rated the seminar as 'Good' or 'Excellent'. 100% of members who provided feedback after attending a seminar rated it as 'Good' or 'Excellent'.


ANNUAL REPORT AND ACCOUNTS 2023/24

**Cost per Member**

The table below shows administration expenses per Scheme member, together with the ratio of members to staff. In the year ended 31 March 2024, the cost per member, adjusted for inflation, has decreased from the previous year. After adjustment there has been an increase in the administration expenses from the prior period but an uplift in total membership has resulted in the cost per member for 2023/24 remaining consistent with that of the prior year.

| Year ended 31 March | Total Members | Number of Staff | Members/ Staff | Admin Expenses £'000 | Cost/ Member £ | Inflation adjusted cost £ |
|---|---|---|---|---|---|---|
| 2015 | 109,462 | 58 | 1,887 | 3,267 | 29.85 | 39.79 |
| 2016 | 114,026 | 64 | 1,782 | 3,803 | 33.35 | 44.24 |
| 2017 | 118,794 | 78 | 1,523 | 4,348 | 36.60 | 47.46* |
| 2018 | 122,587 | 84 | 1,459 | 4,393 | 35.84 | 45.33* |
| 2019 | 129,947 | 82 | 1,585 | 4,699 | 36.16 | 44.94* |
| 2020 | 139,048 | 77 | 1,806 | 4,643 | 33.39 | 40.88** |
| 2021 | 142,492 | 79 | 1,804 | 4,675 | 32.81 | 39.88** |
| 2022 | 149,739 | 76 | 1,970 | 4,745 | 31.69 | 36.01** |
| 2023 | 160,929 | 80 | 2,012 | 5,601 | 34.81 | 35.92** |
| 2024 | 169,490 | 82 | 2,067 | 5,979 | 35.28 | 35.28** |

* 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 material adjustments reflect the amount of the total movement in employing authority bad debt provision (2018/19 and 2017/18) and bad debt write-off (2016/17). These are not member related costs but attributed to the employing authorities in the Scheme through the triennial valuation.

** The total administration expenses in 2019/20, 2020/21, 2021/22 and 2022/23 have been reduced by £625k, £386k, £782k, £646k and £8k respectively, that being an IAS 19 adjustment to current service pension costs as in prior years these adjustments are sufficiently material to impact the cost per member calculation and are also not a member related cost.

## Decisions, Reviews and Complaints

Following new guidance issued by the Northern Ireland Public Services Ombudsman (NIPSO) in July 2023, NILGOSC now operates two distinct processes for dealing with complaints. The appropriate process depends on the nature of the complaint.

If the complaint relates to a disagreement about matters relating to the application of Scheme Regulations, it will be dealt with under a process formerly known as the Internal Dispute Resolution Procedure (IDRP). There are very specific conditions for who can make these types of complaints and who can make the decisions as set out in the Scheme Regulations. This is a two-stage process, referred to as Stage 1 and Stage 2.

NILGOSC also has a process in place for complaints relating to service delivery. In general terms, a service related complaint is an expression of dissatisfaction about NILGOSC's action, lack thereof, or about the level of service provided. This is also a two-stage process, referred to as Stage 1 (Frontline response) and Stage 2 (Investigation).

***Internal Dispute Resolution Procedure***

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

NILGOSC operates a formal two-stage process for Reviews and Complaints that relate to decisions taken in the application of Scheme Regulations. At Stage 1, an individual should submit their complaint to the Head of Pension Services by way of a letter or a Reviews and Complaints Form, giving details of the complaint, and asking for a review of the decision. The form is available on the NILGOSC website or on request from the Pensions Service team. The person appointed to consider a Stage 1 review is normally NILGOSC's Secretary, although in his absence the appointed person will be the Deputy Secretary or Acting Secretary.

If the individual is unhappy with the decision made by the Secretary at the Stage 1 review, they may ask the Committee to undertake a Stage 2 review. Any request for a Stage 2 review must be sent to the Head of Pension Services within six months of the date of the Secretary's Stage 1 review decision. The timeframe for decisions under both Stage 1 and Stage 2 is four months from receipt of the application for review.

***Service Delivery Complaints***

NILGOSC has adopted NIPSO's Model Complaints Handling Procedures, which are created to help all public bodies handle complaints in broadly the same way.

An individual wishing to make a complaint about service delivery must do so within six months of the event occurring or when they discover they have a reason to complain. NILGOSC aims to provide a frontline response to complainants within 5 working days or less. If the individual is not satisfied with the Stage 1 response, the complaint can be escalated to Stage 2 for investigation. This must be done within 30 days of receiving a frontline response and a 20 working day response timeframe will apply.

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

NILGOSC received a total of 23 applications for ill-health retirement benefit reviews (17 at Stage 1, with 6 escalating to Stage 2), 8 formal applications for review in respect of issues other than ill health (3 at Stage 1 and 1 escalating to Stage 2), and 16 informal complaints and 4 service delivery complaints (3 at the frontline Stage and 1 escalating to Stage 2) during 2023/24, a total of 51 appeals/ complaints.

One application for review was heard by the IDRC during the 2023/24 year which was unrelated to an ill-health application. The application related to the effect of the NILGOSC pension on a member's state benefits. This was not upheld.

The 23 ill-health retirement appeals consisted of 17 Stage 1 appeals with 6 Stage 2 reviews. At Stage 1, 7 appeals were upheld meaning the initial ill-health decisions were overturned and 8 appeals were not upheld meaning the initial ill-health decisions remained in place. Of the 17 Stage 1 ill-health retirement benefit appeals, 1 progressed to Stage 2 review within the 2023/24 year. 6 ill-health appeals were heard by the IDRC during the 2023/24 year (1 was received in 2022/23). All 6 were upheld meaning the initial ill-heath decisions were overturned.

NILGOSC regularly monitors the nature of the complaints to ensure that any trends are noted, and the lessons are learned with appropriate actions as required. In line with the new complaints handling procedures introduced in December 2023, the senior management team will review complaints performance statistics, together with an analysis of trends and outcomes on a quarterly basis. Complaints outcomes, actions and lessons learned will also be considered biannually.

Further information on the monitoring of appeals/ complaints received by NILGOSC can be requested by writing to the Head of Pension Services at NILGOSC's address which is provided on page 2 of this report.

## Review of Corporate Plan 2023/24

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 latest 2023/24 – 2025/26 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 2023/24 – 2025/26 Corporate Plan was completed or on target at 31 March 2024.

**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 2024 | 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 | 534,066 pensioners paid<br>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 | 3,349 pension lump sums paid<br>94% within target<br>Average time taken 7 days | **Achieved** |
| | 1.1.3 To pay refunds of contributions promptly and accurately | Within 10 working days of receiving a valid application | 3,117 refunds paid<br>99% within target<br>Average time taken 5 days | **Achieved** |
| | 1.1.4 To pay transfer payments promptly and accurately | Pay the cash equivalent within 10 working days of receipt of required information | 119 transfers out paid<br>93% within target<br>Average time taken 11 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 | All Employer and Employee contribution receipts and 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 | 100% annual returns posted by deadline | **Achieved** |
| | 1.2.3 To credit pension account on receipt of transfers into the scheme promptly | Provide confirmation within 20 working days of receiving the transfer payment | 300 transfers in confirmations provided<br>95% within target<br>Average time taken 15 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 | The exit of Belfast Charitable Society was completed and a surplus exit payment made within 20 working days of receipt of final Rates and Adjustments Certificate | **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 | 5,629 items of correspondence<br>94% within target<br>Average time taken 3 days | **Substantially Achieved** |
| | 1.3.2 To provide members leaving the scheme with option choices | Provide a statement of benefit options within 20 working days of notification | 3,677 early leaver notifications provided<br>53% within target<br>Average time taken 43 days | **Not Achieved** |
| | 1.3.3 To provide short service members leaving the scheme with option choices | Provide a statement of options within 10 working days of notification | 4,852 refund quotations provided<br>73% within target<br>Average time taken 43 days | **Not Achieved** |
| 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 | 1,838 quotations provided<br>86% within target<br>Average time taken 8 days | **Substantially Achieved** |
| | 1.3.5 To provide members and deferred members with benefit statements | Benefit statements issued within 5 months of year end | 98.5% of active and 99% of deferred benefit statements issued by 31 August 2023, an overall achievement of 98.7% | **Substantially Achieved** |
| | 1.3.6 To provide members with annual allowance statements as applicable | Statements issued by 6 October | 214 members were issued with annual allowance pension savings statements for the 2022/23 year by 6 October 2023 | **Achieved** |
| | 1.3.7 To provide an estimate of a CETV | Within 20 working days of receipt of relevant details | 757 transfer out quotations provided<br>94% within target<br>Average time taken 12 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 | 152 dependants' pensions paid<br>99% within target<br>Average time taken 5 days | **Achieved** |
| | 1.4.2 To pay death grants promptly | Within 10 working days of receipt of relevant proof of title | 1,301 death grants paid<br>93% within target<br>Average time taken 4 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 | Procedures were updated to reflect the change in CARE revaluation date within the time period | **Achieved** |
| | 1.5.2 To train relevant staff on any regulation changes | Relevant staff trained on new regulations within 3 months of regulations made | The LGPS (Amendment) Regulations (NI) 2023 were made on 17 May 2023 and were effective from 1 April 2023<br>These regulations moved the date of CARE revaluation from 1 April to 6 April<br>Staff were advised of the minor changes | **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 | The software was updated on 31 May to accommodate the CARE revaluation date change | **Achieved** |
| | 1.5.4 To update processes to reflect scheme changes arising from McCloud/cost cap breach. | Processes updated within 9 months of regulations made | The Local Government Pension Scheme (Amendment No. 2) Regulations (Northern Ireland) were made on 28 September 2023 and were operational from 1 October 2023<br>Work on McCloud calculations continues and written procedures will be completed in Q1 of 2024/25 to allow for further software updates | **On Target** |

| Business Objective | Operational Action | Performance Indicator | Progress at 31 March 2024 | 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 | All administration staff attended McCloud training on 5 September ahead of the regulations being made<br>Further training has since been provided on calculations and five year breaks | **Achieved** |
| | 1.5.6 To update administration systems for scheme changes arising from McCloud/ cost cap breach | To have pension software updated within 9 months of regulations made | The McCloud Regulations were made on 28 September 2023 and the pension software provider updated as much as possible ahead of introduction<br>The late expanded scope, complexity and late receipt of the revised Club Memorandum has meant further software releases are required<br>In addition, statutory guidance on implementing McCloud remains outstanding and a further consultation is expected later in 2024 | **Caution** |
| | 1.5.7 To implement benefit changes and record amendments arising from McCloud/ cost cap legislation | To complete necessary changes in line with legislative timescales | Bulk processing has commenced and record amendments are underway<br>Individual calculations are working in the majority of cases for those affected but additional information is required from employers | **Caution** |
| | 1.5.8 To obtain and upload McCloud data requirements to the pension administration system | To upload McCloud data to individual member records by 31 March 2023 | To process any adjustments by agreed date | **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 requests | Within 1 month (GDPR) or 20 days (FOI) of request | 18 FOIs and 21 SARs were received in the period and all were responded to within required timescales | **Achieved** |
| | 1.6.2 To implement the Retention and Disposal Schedule | To complete full implementation for electronic records by March 2026 | Not due in the current reporting period | **On Target** |
| 1.7 To maintain accurate and complete member data | 1.7.1 To undertake annual data matching and address tracing exercise | Reduce missing addresses by 15% relative to 31 December 2021 | Address tracing exercise completed during Q3 and missing addresses reduced by 19% relative to March 2023 | **Not Achieved** |
| | 1.7.2 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 received during Q2 and both show improvement from previous year:<br>Common data 99.9% -v- 99.5% and Scheme Specific data 99.3% -v- 99.0 | **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 2024 | 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 2026 | Not due in the current reporting period | **On Target** |
| | 2.1.2 To provide necessary information to GAD for cyclical cost cap valuations | Information provided by due date | Assumptions reports for the 2019 and 2022 Aon valuations have been sent to GAD | **Achieved** |
| | 2.1.3 To ensure employer contribution rates for 2023/24 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 and Adjustment Certificate issued 31 March 2023 | **Achieved** |
| 2.2 To invest scheme funds in accordance with the Statement of Investment Principles and the Statement of Responsible Investment | 2.2.1 To achieve investment performance in line with targets | NILGOSC fund target | 3 and 5 year returns to 31 March 2024 were behind the fund target of CPI + 3.0% by -7.62% and -2.32% respectively | **Behind Target** |
| | 2.2.2 To monitor and regulate investment management | That no manager breaches investment guidelines and any issues identified by the scorecard are promptly addressed | During the year ended 31 March 2024, no active breaches were reported<br>Underperformance is addressed through the scorecard process | **Achieved** |
| | 2.2.3 To maximise income from scheme assets | Amount of income earned | Income for the year ended 31 March 2024:<br>Stock Lending income: £471,480.66 (to 31 March 2024)<br>Class actions income: £10,464.39 | **Achieved** |
| 2.3 To deliver investment performance within appropriate risk return parameters | 2.3.1 To undertake the triennial investment strategy review | To complete the strategy review by December 2024 | The final two manager appointments outlined in the 2021 strategy review were made during 2023/24<br>The next strategy review will take place during 2024 | **On Target** |
| | 2.3.2 To monitor quarterly funding updates on an ongoing and low risk basis | Quarterly funding updates provided by Actuary | The funding level at 31 March 2024 is 114% on an ongoing basis, and 105% on a low risk basis | **Achieved** |
| 2.4 To review investment performance regularly | 2.4.1 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** |
| | 2.4.2 To benchmark investment performance against LGPS peers | Annual benchmark report produced by 30 September | Annual report presented to the Committee on 29 August 2023 | **Achieved** |

| Business Objective | Operational Action | Performance Indicator | Progress at 31 March 2024 | Status |
|---|---|---|---|---|
| 2.4 To review investment performance regularly | 2.4.3 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<br>Annual cost analysis completed and presented to Management in November 2023 | **Not Achieved** |
| 2.5 To ensure effective stewardship in line with responsible investment policy | 2.5.1 To implement the Statement of Responsible Investment | Vote in as many company meetings as possible, recoup earnings through class actions and to engage with companies to improve ESG performance | During the year:<br>• Votes were cast at 205 meetings for 192 companies<br>• 15 engagement letters were issued to European companies<br>• £10,464 recovered through class actions | **Achieved** |
| | 2.5.2 To produce an annual stewardship report | Report produced by 31 May 2023 | Stewardship Report for year to 30 June 2022 was submitted to the FRC by 31 May 2023 | **Achieved** |
| 2.6 To manage the investment risks posed by climate change | 2.6.1 To implement the Climate Risk Statement | Inclusion of climate risk in the consideration of investment opportunities | Climate risk considered during due diligence for new global property and global equity managers | **Achieved** |
| | 2.6.2 To undertake a carbon intensity analysis of portfolio | Analysis completed by 31 December 2023 | TCFD-aligned carbon intensity analysis undertaken by Global Custodian as part of new custodial contract, which commenced 1 September 2023 | **Achieved** |
| | 2.6.3 To undertake portfolio scenario analysis | Analysis completed by 31 December 2025 | High-level portfolio scenario analysis included with Global Custodian's service provision, and included within TCFD-aligned reporting, published December 2023 | **Achieved** |
| | 2.6.4 To produce an annual Climate-related Disclosures report | Report produced by 31 December 2023 | TCFD-aligned climate related disclosures report to 31 March 2023 published on NILGOSC website in December 2023 | **Achieved** |
| 2.7 To understand and adopt good practice in Public Sector fund management | 2.7.1 Review Statement of Investment Principles and Funding Strategy Statement | Revise FSS and revise SIP when necessary | SIP approved by the Committee in November 2021<br>FSS approved by the Committee in August 2023 | **Achieved** |
| | 2.7.2 To monitor and manage employer covenants in line with Funding Strategy Statement | Covenant assessment completed by 31 March 2023 | Annual interim covenant assessment undertaken in 2023/24 | **Achieved** |



| Business Objective | Operational Action | Performance Indicator | Progress at 31 March 2024 | Status |
|---|---|---|---|---|
| 2.8 To work collaboratively on investment matters when suitable opportunities arise | 2.8.1 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 | Attended Collaborative Partner Infrastructure Annual Meeting in June 2023 and discussed opportunities arising throughout the year | **Achieved** |
| | 2.8.2 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. | Key initiatives include:<br>• CDP's 2023 Science Based Targets<br>• DAERA Working Group on Climate Change Reporting<br>• Signatory to IIGCC Letter to the EU Commission on "Preserving the EU Taxonomy's sustainable purpose"<br>• Signatory to a letter to UK Prime Minister on the risks of delaying key targets and lowering UK climate-ambition<br>• PRI "Spring" nature initiative<br>• Co-signatory to ICGN Statement on High Standards of Corporate Governance and Investor Protections as Pre-requisites for UK Capital Market Competitiveness and Growth | **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 2024 | 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 within 10% of March 2022 levels. | There were 84,090 active members at 31 March 2024, an increase of 13.7% on the March 2022 figure | **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 | Scheme literature and guidance was updated to reflect the CARE revaluation date being moved from 1 to 6 April<br>The website and all Scheme literature was updated to reflect the McCloud Remedy | **Achieved** |
| | 3.2.2 Provide employee and employer seminars | Employer satisfaction rating as measured through annual satisfaction survey | 44 seminars in year with 3,809 attendees:<br>• 19 employer sessions; and<br>• 24 member sessions<br>97.7% of employers ranked employer seminars/training as good or excellent | **Achieved** |
| | 3.2.3 To lay the annual report in the NI Assembly. | In accordance with date agreed with Department | 2022/23 Annual Report and Accounts certified with an unqualified opinion and laid before the NI Assembly 12 September 2023, as agreed with DfC | **Achieved** |
| | 3.2.4 To implement the Communications Workplan | Actions completed in line with target dates | 51 out of 56 workplan actions were completed in line with target dates<br>One action was substantially achieved and the remaining 4 actions carried forward to the 2024/25 workplan | **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 | Notice of upcoming changes provided to members and pensioners via annual newsletters issued in April/May<br>A small number of members received an individual letter to advise of the change in CARE revaluation date and the impact on pension savings<br>Further Member Updates relating to McCloud were issued to all relevant members before 31 December 2023 | **Achieved** |
| | 3.3.2 To advise all new members of the benefits of the pension scheme | Issue information to new scheme members and membership certificates within 20 working days of receipt | 21,779 new members processed within 20 days of receipt of information from employer<br>99% 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 2024 | 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 to employers to advise of:<br>The change in CARE revaluation date;<br>Further data collection for McCloud; and<br>The Local Government Pension Scheme (Amendment No 2) Regulations (Northern Ireland) | **Achieved** |
| | 4.1.2 To respond to relevant Government consultation exercises | By consultation reply date | Responded on Dashboard regulations and submitted evidence to Westminster Bill Committee | **Achieved** |
| | 4.1.3 To respond to parent Department consultation exercises | By consultation reply date | Responded to the DfC consultation on the McCloud Remedy and change of valuation date | **Achieved** |
| | 4.1.4 To contribute to consultee groups eg PLSA, LGPC etc | To have representation on all groups | Representation continued on relevant industry groups | **Achieved** |
| 4.2 To engage with, and inform, interested parties and relevant decision makers | 4.2.1 To identify interested parties and decision makers for relevant issues and ensure they are adequately briefed on the consequences for NILGOSC | Evidence of engagement | Engaged with interested parties on GB & NI investment matters | **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 | None identified this year | **On Target** |

## 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 2024 | 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 | **Achieved** |
| | 5.1.2 Review of NILGOSC Internal Controls | Annually by 31 March | Governance statement for 22/23 approved and included in Annual Report | **Achieved** |
| | 5.1.3 Participate in data matching exercises as appropriate | Identify invalid payments and recoup losses. | NILGOSC participates in the biennial NFI exercise, which last took place in 2022/23 and identified one overpayment of £10K<br>A further £14.9K remains outstanding from previous exercises<br>Recovery of all overpayments is ongoing | **On Target** |
| | 5.1.4 To test Business Continuity procedures and ensure effective | Annual test of Business Continuity Plan | Annual test successfully completed in March 2024 including scenario testing and enhanced penetration and vulnerability testing | **Achieved** |
| | 5.1.5 Maintain a Risk Register and take actions to mitigate identified risks | The Risk Register is compiled, reviewed quarterly and action identified is completed | The annual review of the Corporate Risk Register took place on 25 April 2023<br>The Risk Register 2023/24 was approved by the ARAC and Management Committee on 30 May 2023 and 12 June 2023 respectively. Quarterly reviews of the risk register 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 2024 | Not due in the 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 2023/24 schedule and adhered to prevailing Procurement Policy Notes (PPNs) and DoF/DfC direction | **Achieved** |
| | 5.1.8 To utilise relevant procurement frameworks to minimise costs and increase efficienc | Frameworks utilised where they offer value for money and meet business needs | Suitable public sector procurement frameworks used by NILGOSC to ensure cost and operational efficiency | **Achieved** |
| | 5.1.9 To ensure that all Committee members undertake appropriate training in line with good practice, guidance and legislation | Each member has undertaken 40 hours of training/ development per annum | The Committee undertook an aggregate of 449 hours of training however 3 members failed to meet the individual target of 40 hours per annum | **Not Achieved** |

| Business Objective | Operational Action | Performance Indicator | Progress at 31 March 2024 | Status |
|---|---|---|---|---|
| 5.1 To enhance corporate governance arrangements appropriate for a public body | 5.1.10 To provide tailored induction training and support for new Committee members | Induction completed within 2 months of appointment to Committee and relevant sub-committees | There were three new appointments to sub-committees in 2023/24 and all received induction training within the required timeframe | **Achieved** |
| | 5.1.11 To undertake annual Cyber Essentials Plus assessment | Cyber Essentials Plus certification obtained | Cyber Essentials Plus Certification was achieved in March 2024 and is valid until March 2025 | **Achieved** |
| 5.2 To maximise efficiency through the use of technology | 5.2.1 To implement automated receipt and straight through processing of data from employers | Phase 4 complete by Sept 2023, Phase 5 by March 2024 and Phase 6 by Sept 2024 | 76% (129 out of 169) employers are submitting data straight through to NILGOSC's pension software<br>Employers using the extract submission method have seen significant delays as software programming is required<br>The deadline for Phases 5 and 6 have been pushed out by 12 months | **Not Achieved** |
| | 5.2.2 To promote the take-up for Member Self Service across scheme membership | To achieve a combined 40% registration level for active and deferred members by 31 March 2024 | Active – 53.33%<br>Deferred – 50.11%<br>Combined registration percentage is 51.72% | **Achieved** |
| | 5.2.3 To adopt a cloud first strategy as legacy resources reach end of life | Strategy implemented by 2025/26 | Work is ongoing in implementing the strategy, with major milestones achieved in the delivery of a cloud landing zone and cloud based disaster recover solution | **On Target** |
| | 5.2.4 To encourage non-registered deferred members to register for Member Self Service through a reconnection programm | To write to non-registered deferred members by 31 March 2025 | Not due in the current reporting period | **On Target** |
| | 5.2.5 To implement a replacement finance system | System operational by 30 September 2023 | Successful migration to new integrated finance, procurement and contract management platform in 2023/24 | **Substantially Achieved** |
| | 5.2.6 To facilitate the exchange of data with the pension dashboard | To be compliant with legislative requirements and connect to the dashboard by 30 September 2024 | Legislative requirement is now to be connected by 31 October 2026 or earlier if required in guidance<br>DWP published guidance on 26 March 2024 which shows NILGOSC's onboarding window between 1 April 2025 and 31 October 2025<br>Preparation work is ongoing to meet the revised deadline | **On Target** |

| Business Objective | Operational Action | Performance Indicator | Progress at 31 March 2024 | Status |
|---|---|---|---|---|
| 5.2 To maximise efficiency through the use of technology | 5.2.7 To identify, source and implement a new recruitment system | System implemented by March 2024 | This activity was delayed due to excessive levels of recruitment activity during the year and the diversion of staff resources<br>The procurement exercise has commenced | **Not Achieved** |
| 5.3 To manage change in an effective and timely manner | 5.3.1 To issue an internal newsletter to improve and promote staff communication | Newsletter issued quarterly | June, September and December 2023 and March 2024 editions issued | **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 & Premises Officer is Agile and PRINCE2 trained and provides advice to ensure projects are managed in line with these methodologies<br>A number of projects in Finance and Pensions Development have been supported in-year | **Achieved** |
| 5.4 To ensure NILGOSC attracts and retains well trained personnel | 5.4.1 To ensure all staff complete training plans and undertake appropriate training | That all staff complete plans and that training is received | Staff have completed 1,520 hours of training in the 12 months to 31 March 2024 | **Achieved** |
| | 5.4.2 To utilise e-learning packages for mandatory corporate training, where appropriate | All staff have successfully completed e-learning modules issued | All new members of staff successfully completed mandatory eLearning modules on Diversity and Inclusion and Data Protection | **Achieved** |
| | 5.4.3 To undertake a review of the staff structure and capacity | Review completed by 31 March 2026 | Not due in the current reporting period | **On Target** |
| | 5.4.4 To monitor staff retention and address any issues identified | Staff turnover level maintained below 20% | Rolling turnover for the year to 31 March 2024 is 25.4% | **Not Achieved** |
| | 5.4.5 To undertake a biennial staff satisfaction survey and address any issues identified | Staff survey completed by 31 March 2025 | Not due in the current reporting period | **On Target** |
| | 5.4.6 To develop and roll-out the wellbeing programme for 2023/24 | Wellbeing programme delivered by 31 March 2024 | The Wellbeing Programme was soft launched in February 2024 to all staff<br>The full programme is ready for roll-out in April 2024 | **Achieved** |



| Business Objective | Operational Action | Performance Indicator | Progress at 31 March 2024 | Status |
|---|---|---|---|---|
| 5.4 To ensure NILGOSC attracts and retains well trained personnel | 5.4.7 To undertake a job evaluation exercise | Exercise concluded by 31 March 2024 | Draft procedure issued for consultation and subsequent engagement underway with the Trade Union<br>A revised target completion date of March 2025 is reflected in the Corporate Plan 2024/25 - 2026/27 | **Not Achieved** |
| 5.5 To ensure that the office environment meets the growing needs of stakeholders and staff | 5.5.1 To maintain and improve office facilities to meet the ongoing needs of stakeholders and staff | Full office refurbishment completed by 31 March 2026 | Office refurbishment project is well underway:<br>Phase 1 (all windows replaced & rear bathrooms) is complete;<br>Phase 2 (heating system and front bathrooms) will be implemented by 31 March 2025; and<br>Phase 3 (refurb of car park, ground & first floor) to be implemented by 31 March 2026 | **On Target** |
| 5.6 To ensure an effective and cohesive Committee | 5.6.1 To provide Committee members with networking opportunities at internal and external conferences | Committee cohesion as evidenced by the annual Effectiveness Self-Assessment results | Members provided with multiple opportunities for networking at external conferences<br>2022/23 effectiveness survey indicated a cohesive committee | **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 2024 | 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 | 5 policies screened during the year | **Achieved** |
| 6.2 To ensure NILGOSC personnel policies promote equality of opportunity | 6.2.1 To prepare s55 Report for Equality Commission | Report prepared by April 2023 | Report prepared in advance of deadline<br>There is no requirement to submit unless specifically requested by ECNI | **Achieved** |
| | 6.2.2 To record annual recruitment monitoring information | Report submitted by 1 May each year | The annual monitoring report was prepared and submitted to ECNI in April 2023 | **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 2022/2024 | Actions completed in line with plan | Progress reviewed biannually | **Achieved** |
| | 6.3.2 To submit s75 Annual Progress Report to include publication of EQIA monitoring information | Submission to Equality Scheme by 31 August 2023 | The annual progress report for 2022-23 was submitted to ECNI on 5 August 2023 | **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 three member group newsletters issued during the year and the Annual Report 2022/23 | **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 2024 is included on pages 134 to 135.

## Fund Management

NILGOSC retains overall responsibility for the Fund, with the power to appoint one or more asset managers to manage and invest fund monies on its behalf. In appointing 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 asset 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 2022 assumes a prudent investment return of 4.2% for the main group of employers, which is equivalent to CPI+2.3%. NILGOSC's overall investment target is to exceed CPI by 3.0% per annum, to be measured over three and five-year periods. The target was set on 1 January 2022, following the 2021 investment strategy review.

## Investment Strategy

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

These considerations drive decisions over asset allocation. NILGOSC formally reviews the Fund's strategic asset allocation every three years, and 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 return while reducing the overall level of expected risk. A mixture of passive and active mandates is also used to capture the return required to meet the Fund's objectives.

The last formal strategic review concluded in September 2021. The review was informed by the funding position, alongside advice from the Investment Advisor and Scheme Actuary on future capital market and demographic expectations. The focus of the 2021 review was to pause, take stock and review the existing strategy, to determine if it continued to be appropriate for the Fund. The review concluded that the strategy adopted in 2017 remained appropriate and that further action was required to bring the Fund in line with the agreed asset allocations.

As part of the 2021 review, NILGOSC, along with its Investment Advisor established that due to changes in the outlook for various asset classes, the existing target of CPI+3.5% was no longer achievable over the long-term whilst maintaining the same level of risk. To reflect the more muted outlook for investment returns going forward, the overall investment objective was lowered from CPI+3.5% to CPI+3.0%, effective from 1 January 2022.

The 2021 review maintained the same allocations to equity, property, fixed income and infrastructure, and concluded that reducing equity holdings to the strategic allocation of 34% of the Fund, whilst simultaneously increasing the Fund's exposure to real assets should remain a key focus. The 2021 review also addressed further integrating environmental, social and governance (ESG) views into the strategy, as well as taking steps to mitigate climate risk in the Fund.

Implementation of the 2021 investment strategy was undertaken in three phases commencing in March 2022 and concluding in March 2024. In March 2022, steps were taken to reduce climate risk in the funds passive equity portfolio, with the transfer of £2.8bn of passive equity holdings to the Legal and General Investment Management (LGIM) Low Carbon Transition Fund (LCT), and an exercise was undertaken simultaneously to rebalance equity holdings to their strategic allocations. Infrastructure commitments were also increased in March 2022, with a £100m commitment to the IFM Global Infrastructure Fund (IFM GIF).

During 2022/23, the second phase was completed, which focussed on increasing the Fund's Infrastructure commitments further towards the 7.5% target allocation. NILGOSC made significant new Infrastructure commitments during this period, with a $100m commitment to iCON Infrastructure Fund VI in May 2022, a €100m commitment to DIF VII in September 2022, and a $20m commitment to a co-investment in a renewables asset, managed by DIF Capital Partners in February 2023.

The third and final phase of the strategy implementation took place during 2023/24. Partners Group was appointed in December 2023 to manage a £285m Global Property mandate, which will be drawn down over a 3-4 year period, commencing during 2024/25. A new global equity manager with a value focus, Harris Associates, was appointed in February 2024 and funded with £525m in March 2024.

A rebalancing exercise was also completed, in two stages, as part of the last remaining step of the strategy implementation. The first stage was executed in February 2024, and its objective was to reduce the 7.7% overweight equity position as at 31 December 2023, which arose in part due to the surge in equities over the year. A decision was made in January 2024 to reduce this overweight equity position by making a temporary strategic allocation to cash of 8.5%, pending the outcome of the upcoming 2024 strategy review. Funds were transferred from passive equities into the LGIM sterling liquidity fund in February 2024, resulting in a c.8.5%/£850m allocation to cash. The second stage of the rebalancing exercise was executed simultaneously to fund the Harris equity mandate with £525m, in March 2024. This exercise rebalanced equity holdings between existing equity managers, to restore the desired balance of equity styles.

The extensive work performed during 2022/23 to build up the infrastructure allocation continued to come to fruition during 2023/24, with the new funds drawing down committed capital. This contributed to NILGOSC's infrastructure investments increasing further towards the 7.5% target allocation.

Implementation of 2021 strategy has now concluded and the next strategic review of NILGOSC's Investment strategy will take place during 2024.





The following table shows the strategic target asset allocation as set during the 2021 Strategy Review, compared to the current weighting as at 31 March 2024. It also sets out the approximate assumptions made about the real return for each asset class as at 31 March 2024.

| Asset Class | Target Weighting % | Current Weighting %[1] | Real Return % p.a.[2] |
|---|---|---|---|
| Global Equity | 31.5 | 38.0 | 4.50 |
| Emerging Market Equity | 2.5 | 1.9 | 4.75 |
| UK Traditional Property | 4.0 | 2.9 | 4.25 |
| Private Rental Sector | 1.5 | 1.1 | 4.25 |
| Index-Linked Leases | 3.5 | 2.8 | 5.75 |
| Global Property[3] | 6.0 | 2.4 | 3.25 |
| Infrastructure[4] | 7.5 | 6.1 | 5.00 |
| Index-Linked Gilts | 14.5 | 9.2 | 1.00 |
| Absolute Return Bonds | 14.5 | 14.2 | 4.00 |
| Multi Asset Credit | 14.5 | 13.1 | 4.00 |
| Temporary allocation to cash | - | 8.3 | - |

[1] The calculation of target weighting excludes investment cash held for trading purposes. The calculation of current weighting includes the temporary strategic allocation to cash (8.5%).

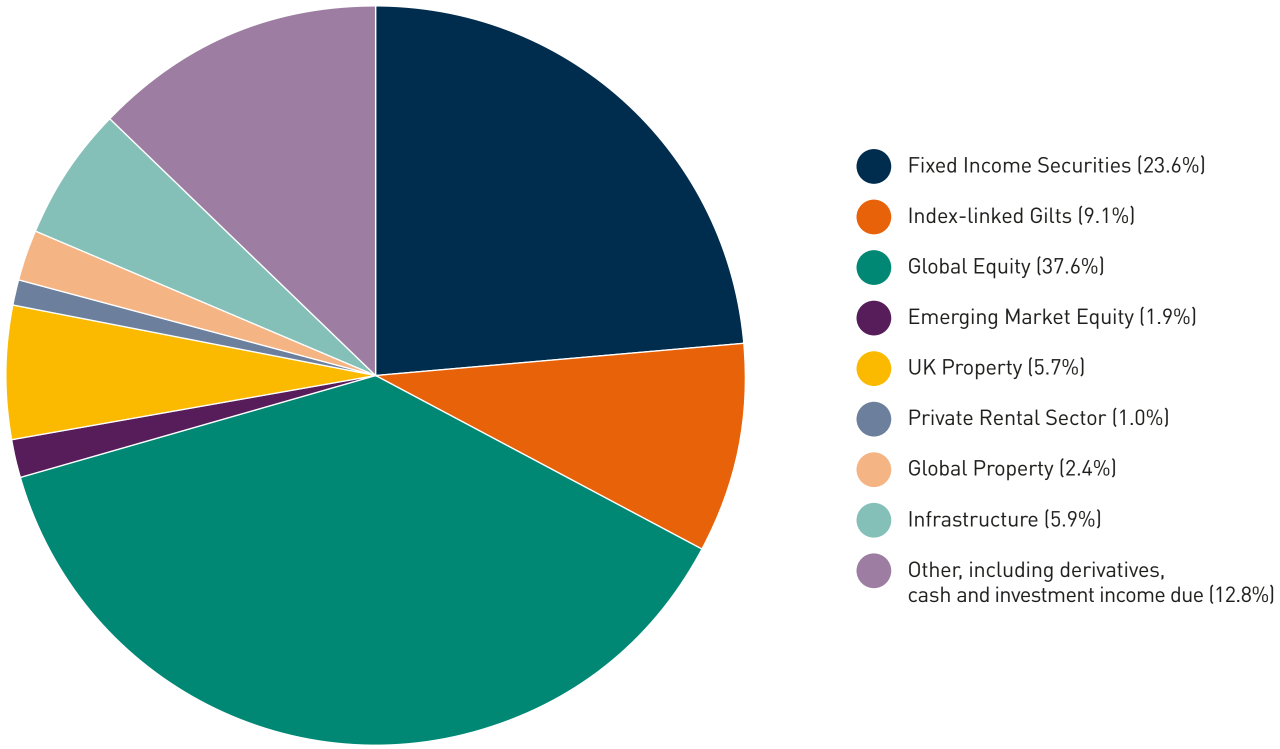
[2] The real return figures are based on Aon's 10-year forward-looking assumptions as at 31 March 2024 for each asset class and have been adjusted for its CPI assumption of 2.3% per annum. The figures do not allow for active management in traditional (equity, bonds, property) asset classes.

[3] Return assumption is for US and European property.

[4] Return is for US and European infrastructure investments. NILGOSC has committed £855m to a number of Infrastructure investment funds. As at 31 March 2024, NILGOSC had funded £588m, approximately 68.8% 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 2024 is illustrated in the following pie chart. The calculations include investment cash held for trading purposes and the temporary cash allocation held in the LGIM Sterling Liquidity Fund, which is categorised as 'other'.

**Fund Asset Allocation at 31 March 2024**



NILGOSC monitors the suitability of its investment strategy, taking into account the funding position and Funding Strategy Statement (FSS), 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 maintain Fund solvency at 100%, 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.

## Investment Managers and Primary Funds

For the asset classes in which NILGOSC wishes to invest, a range of 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 funds, known as primary funds, each with its own specialist manager. In addition to the primary funds, NILGOSC collaborates with other LGPS's, led by Lothian Pension Fund (Lothian), to access infrastructure opportunities directly. These co-investment and single asset investment vehicles are designed to help supplement a low-risk, diversified infrastructure portfolio in line with the Fund's target allocation.

The following table sets out the mandates and primary fund investments in place as at 31 March 2024, detailing the type and percentage of the Fund 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 2024 and not the total commitment made to the fund. This information can be found in the footnote to the following table:

| Asset Class | Asset Manager | % of Total Fund |
|---|---|---|
| **Mandates:** | | |
| Global Unconstrained Equities | Baillie Gifford | 5.68% |
| | Unigestion | 5.75% |
| | Harris Associates | 5.31% |
| | William Blair | 1.92% |
| Passive Funds | Legal & General Investment Management | 38.60% |
| Absolute Return Bonds (ARB) | Royal London Asset Management | 7.57% |
| | T. Rowe Price | 6.64% |
| Multi Asset Credit (MAC) | BlueBay | 6.97% |
| | PIMCO | 6.17% |
| UK Traditional Property | LaSalle Investment Management | 3.50% |
| Index-Linked Property | LaSalle Investment Management | 2.25% |
| Global Property | CBRE Investment Management | 2.43% |
| | Partners Group[1] | 0.00% |
| **Primary Funds:** | | |
| UK Residential Property | M&G UK Residential Property Fund[2] | 1.05% |
| Infrastructure | Antin Infrastructure Fund II[3] | 0.06% |
| | Antin Infrastructure Fund III[4] | 0.59% |
| | Antin Infrastructure Fund IV[5] | 0.59% |
| | Antin Infrastructure Fund V[6] | 0.07% |
| | Antin Mid Cap I[7] | 0.18% |
| | Copenhagen Infrastructure IV[8] | 0.20% |
| | DIF Infrastructure Fund V[9] | 0.45% |
| | DIF Infrastructure Fund VII[10] | 0.20% |
| | iCON Infrastructure Fund VI[11] | 0.26% |
| | IFM Global Infrastructure Fund[12] | 1.01% |
| | KKR Global Infrastructure Investors Fund II[13] | 0.15% |
| | KKR Global Infrastructure Investors Fund III[14] | 0.38% |
| **Infrastructure Co-Investments[15]** | | 1.63% |
| **Smaller NI Investments and Cash** | | 0.39% |

SOURCE: The Northern Trust Company

[1] Total commitment £285m
[2] Total commitment £100m
[3] Total commitment €44m (£37.7m converted at 31 March 2024 exchange rate)
[4] Total commitment €75m (£64.1m converted at 31 March 2024 exchange rate)
[5] Total commitment €75m (£64.1m converted at 31 March 2024 exchange rate)
[6] Total commitment €75m (£64.1m converted at 31 March 2024 exchange rate)
[7] Total commitment €45m (£38.5m converted at 31 March 2024 exchange rate)
[8] Total commitment €50m (£42.7m converted at 31 March 2024 exchange rate)
[9] Total commitment €50m (£42.7m converted at 31 March 2024 exchange rate)
[10] Total commitment €100m (£85.5m converted at 31 March 2024 exchange rate)
[11] Total commitment $100m (£79.1m converted at 31 March 2024 exchange rate)
[12] Total commitment £100m
[13] Total commitment $60m (£47.5m converted at 31 March 2024 exchange rate)
[14] Total commitment $50m (£39.6m converted at 31 March 2024 exchange rate)
[15] Total commitment £54m, €46.8m and $69.8m (£149.3m converted at 31 March 2024 exchange rate)

For those mandates where a specialist asset 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 2024 are shown in the following table:

| Asset Class | Target/Benchmark Indices (Outperformance shown per annum) |
|---|---|
| **Equities** | MSCI All Countries World Index + 3% |
| | MSCI All Countries World Index + 2% |
| | FTSE All World Index + 3% |
| | MSCI Emerging Markets Index + 3% |
| | Solactive L&G Low Carbon Transition Developed Markets Index |
| | Solactive L&G Low Carbon Transition Developed Markets Index - GBP Hedged |
| **Cash** | Sterling Overnight Index Average (SONIA) |
| **Fixed Income** | |
| 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 Sterling Overnight Index Average (SONIA) + 3% |
| Multi Asset Credit | ICE BofA SONIA 1-Month Constant Maturity Index + 5 % |
| | To outperform the below composite benchmark by 1.25%: |
| | 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 | Retail Price Index (RPI) + 2% |
| Traditional Property | MSCI Quarterly Universe Index + 0.5% |
| Global Property | Absolute Return of 5-7% |
| | Net Return of 7-11% |
| Private Rented Sector | 6% Absolute Return |
| **Infrastructure** | |
| Infrastructure | CPI + 3.0% |

No explicit performance target has been set for the investments in the infrastructure funds, however, for performance reporting purposes these are measured against the Fund's overall investment objective, which is CPI+3.0%.

NILGOSC monitors its asset managers through reports produced by the investment team, 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 asset 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 managers with those of the Fund.

All of NILGOSC's 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, ESG practices, risk management, and the 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 managers to deliver the target level of return over longer term time horizons.

## Market Report

Global equities generated positive returns over the twelve months to 31 March 2024. Inflation began to moderate in most major economies as the global economy proved more resilient than previously anticipated. The rally in Information Technology stocks was a major contributor to equity market gains over the past year, as investor excitement over artificial intelligence grew.

Geopolitical tensions remained elevated over the period:

- On 7 October 2023, Hamas launched a surprise attack from Gaza on Israel and Israeli Prime Minister Benjamin Netanyahu consequently declared the nation "at war" and mounted military retaliation in Gaza.
- In Q1 2024, the US and UK launched military strikes against Houthi rebels in Yemen, increasing fears that conflict in the Middle East will spread.
- The US and UK accused China of carrying out cyberattacks on their officials and businesses that are of national economic importance.
- The European Union (EU) introduced a new set of sanctions against Russia, targeting nearly 200 individuals and entities, whilst the US also announced 500 new sanctions against Russia.
- China banned US-based chipmaker Micron Technology's products, in China's biggest measure against a US semiconductor group. In response, US President Joe Biden signed an executive order banning investment in some of China's critical tech industries which includes quantum computing, advanced chips, and artificial intelligence sectors.
- Finland officially became the North Atlantic Treaty Organization's (NATO) 31st member after Turkey joined other NATO countries in supporting Finland's membership.
- In Q3 2023, G7 countries announced a plan to provide a long-term security framework to Ukraine by continuing existing financial assistance, supplying military equipment, providing training to Ukrainian forces, and sharing intelligence.

In Q3 2023, Fitch downgraded the US debt rating from AAA to AA+, citing "erosion of governance" over the past two decades which saw the US government in repeated debt limit stand-offs and last-minute resolutions. US President Joe Biden signed a $1.2 trillion spending bill to avert a partial government shutdown, which will keep the US government funded until September 2024. Meanwhile, Moody's downgraded their US credit outlook from 'stable' to 'negative' amidst the lack of a permanent funding agreement and sharp rises in debt service costs.

Sterling ended the period 4.8% higher on a trade-weighted basis. Over the last year, the Bank of England (BoE) raised its benchmark interest rate cumulatively by 1.00% to 5.25%. The Monetary Policy Committee (MPC) indicated that monetary policy will need to remain restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term. The BoE agreed to increase its current quantitative tightening pace of £80bn to £100bn in 2023-24.

The US Federal Reserve (Fed) increased its benchmark interest rate by 1.25% to a range of 5.25%-5.5%, representing the highest level in more than 22 years. The European Central Bank (ECB) raised its deposit rates by 1.0% to 4.0%, touching an all-time high. The Fed, the BoE, and the ECB all decided to pause their monetary policy hiking in the final months of 2023 and Q1 2024, as inflation continued to fall. Elsewhere, the Bank of Japan (BoJ) ended its era of negative interest rates by raising its interest rate to 0-0.1% from the previous -0.1%.

Brent crude oil prices rose by 9.7% to $87 per barrel over the twelve months. Meanwhile, the Organization of the Petroleum Exporting Countries Plus (OPEC+) members announced voluntary oil production cuts until Q1 2024. Saudi Arabia pledged to extend an ongoing 1m barrels per day (bpd) production cut whilst Russia will amplify its export reduction from the current 300,000 bpd to 500,000 bpd.

### Equities

UK equities delivered positive returns over the year. The Financial sector performed strongly, as did other heavyweight sectors such as Industrials and Energy, while there was an underperformance in Consumer Staples. Comparatively less exposure to the Technology sector compared to other developed markets, weighed on UK equities.

US equities performed strongly over the year. Following Silicone Valley Bank's (SVB) collapse in March 2023, investors shrugged off short-lived concerns over the banking sector and priced in a quicker end to the sharpest tightening cycle in recent history. Expectations for new revenue streams, driven by artificial intelligence, boosted optimism for the largest US technology stocks. Index-heavyweight sectors such as Information Technology and Financials performed strongly while Communication Services was the best performing sector.

European equities posted double digit returns over the period. European equities recorded positive returns over Q2 2023 despite the Eurozone economy entering a technical recession. However, these gains were wiped out in Q3, partly due to political uncertainty in Spain. A stabilisation of the political situation in Spain supported a European equity rally in Q4 2023, and the region also posted positive returns in Q1 2024.

Japanese equities were the best performing market in local currency terms and second best performing in sterling terms throughout the year, as the Bank of Japan continued to maintain its loose monetary policy in contrast to most central banks. The sharp depreciation of the Yen during Q2 and Q3 2023 helped exporters, as it declined to almost a year low against the US dollar.

Emerging markets were the worst performing market both in local and sterling terms. Increases in interest rates by major developed central banks during the first half of the year, and a strong dollar, caused a headwind. Slower-than-expected economic recovery, and renewed US-China tensions put pressure on Chinese equities. Indian equities rose the most with strong performances by Taiwanese, Brazilian, and Korean equities, while Chinese equities fell.

### UK Fixed Income

UK fixed-interest gilts returns were flat, while index linked gilts returned -5.0% over the year. UK gilt yields rose across all maturities over the year, although there was variation during the year. In Q2 2023, gilt yields rose across all maturities, but yields rose more for shorter than longer maturities. This was reversed in Q3 2023, when yields fell at short to medium maturities, but rose for longer maturities. In Q4 2023, yields fell sharply across maturities, and again this was reversed in Q1 2024.

The UK credit market performed positively over the twelve months, returning 6.1% (as measured by the iBoxx Sterling Non-Gilt Index). UK investment-grade credit spreads (the difference between corporate and government bond yields) narrowed significantly over the year. The BoE warned that British companies face a higher risk of corporate default as a result of rising interest rates.

### Global Fixed Income

Global bond yields fell over the year, with the JP Morgan Global Aggregate Bond Index rising 1.1% in local terms, although it posted a negative return of 1.0% in sterling terms. In Q2 2023, global bond yields increased as major central banks indicated further interest rate rises to bring inflation down to target. This included the US, where the Federal Reserve (Fed) increased its benchmark interest rate by 0.25% to a range of 5.0%-5.25%, the highest level since 2007, after pausing monetary policy tightening in June. The increase in yields continued in Q3 2023 as major central banks continued to move forward with tighter monetary policy but at a slower pace. In Q4 2023, yields fell sharply as major central banks around the world kept their interest rates unchanged and market participants expected a greater chance of interest rate cuts in 2024. In Q1 2024, bond yields moved higher following falling market expectations for central bank rate cuts this year.

### Property

UK commercial property returned 0.3% over the year as capital values depreciated, following sharply higher capitalisation rates over the year. The industrial and retail sectors rose by 5.9% and 1.1% respectively while the office sector fell by 11.5%.

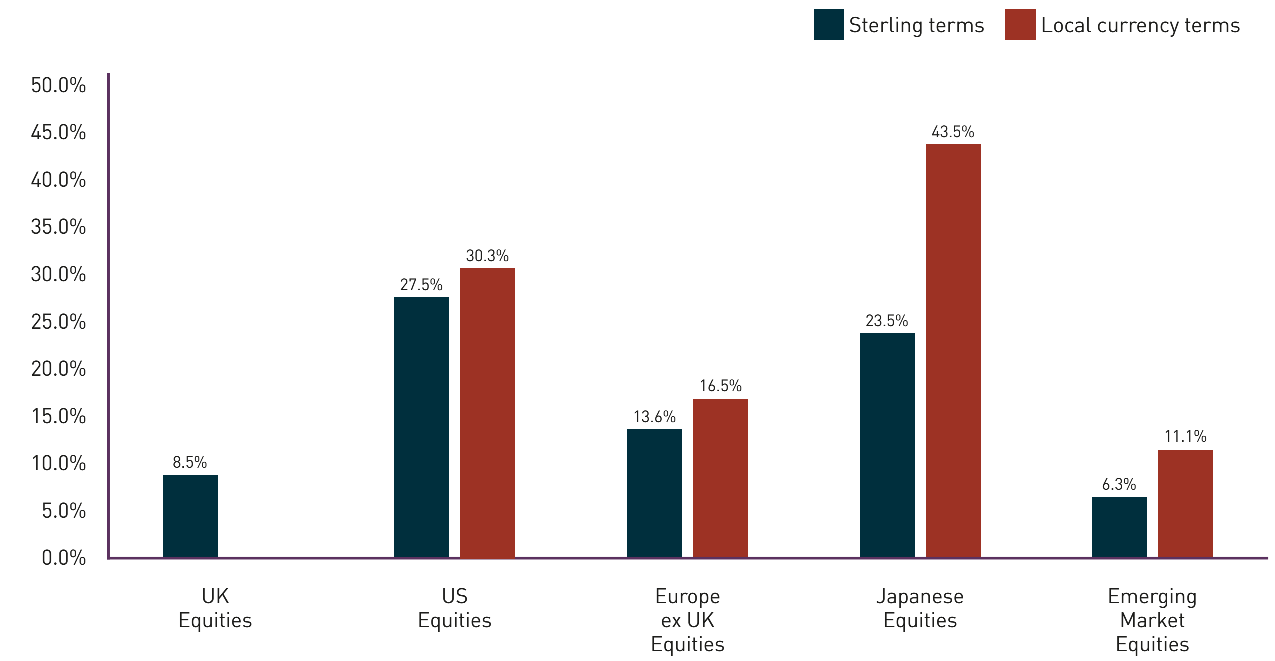
In global property, high interest rates, and tighter credit conditions led to partially frozen capital markets and further decreasing transaction volumes at the start of the period in Q2 2023. Investor sentiment was dampened in Q3 2023 by geopolitical events and expectation that interest rates would remain higher for longer. This led to further declines in transaction volumes and subdued leasing activity. Office vacancy in the US hit a 30 year high although there was rental growth in the office sector in Europe and Asia Pacific. This trend continued in Q4 2023, with the office sector continuing to face leasing challenges, although a 'flight to quality' pushed up rental growth in high quality offices in Europe. Rent growth in the residential sector in Europe and Australia beat expectations as demand remained strong, whereas the US experienced continued apartment rent declines resulting from new supply coming to market.

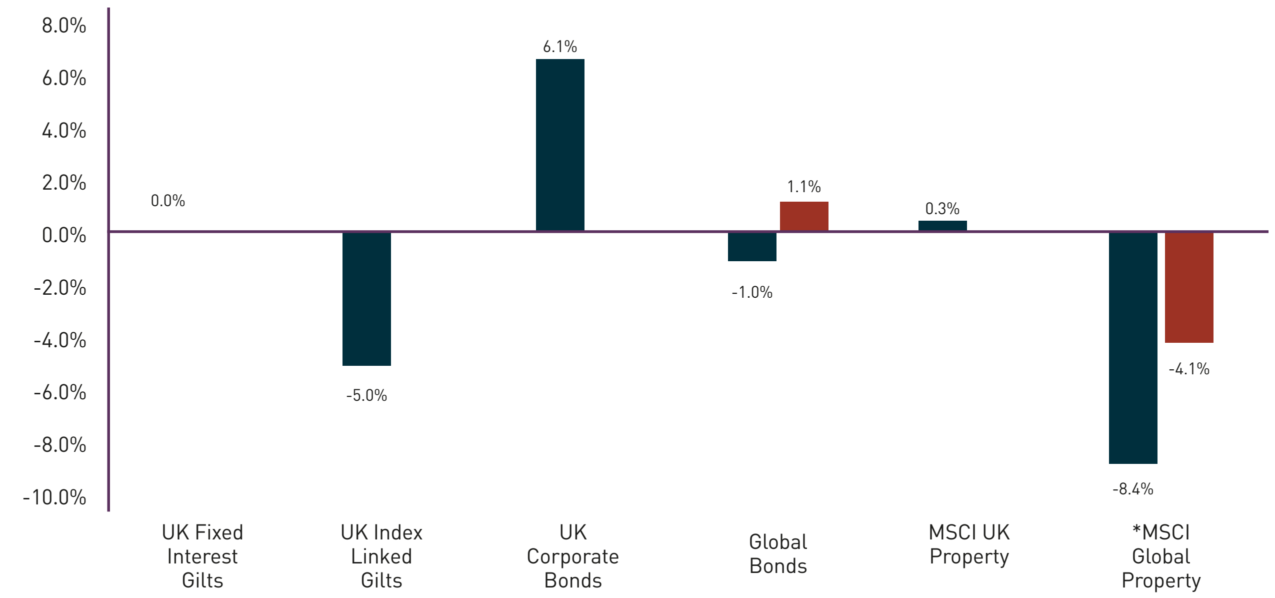
### Infrastructure

Infrastructure funds generally performed in line with their objectives over the year, although diversification across sub-sectors continued to be important to returns. Continued pick up in the energy transition and the introduction of the Inflation Reduction Act in the US and a similar policy framework in Europe further supported renewable energy development and other projects and assets critical for the energy transition (e.g. battery storage, carbon capture and storage, etc.). These policy frameworks supported returns and valuations for existing assets in these sectors.

While lower than prior years, inflationary pressures over the course of 2023 remained generally neutral to positive for infrastructure assets with a moderate to high degree of inflation passthrough (raised prices as a result of higher inflation). This included those with explicit indexation as well as those with implicit pricing power. There was some regulatory pressures on utilities in Europe, particularly in Finland, although the debt market for infrastructure assets has generally remained strong.

The graphs below summarise the index returns on the main asset classes/regions for the year to 31 March 2024. Returns are shown in sterling terms and local currency terms.



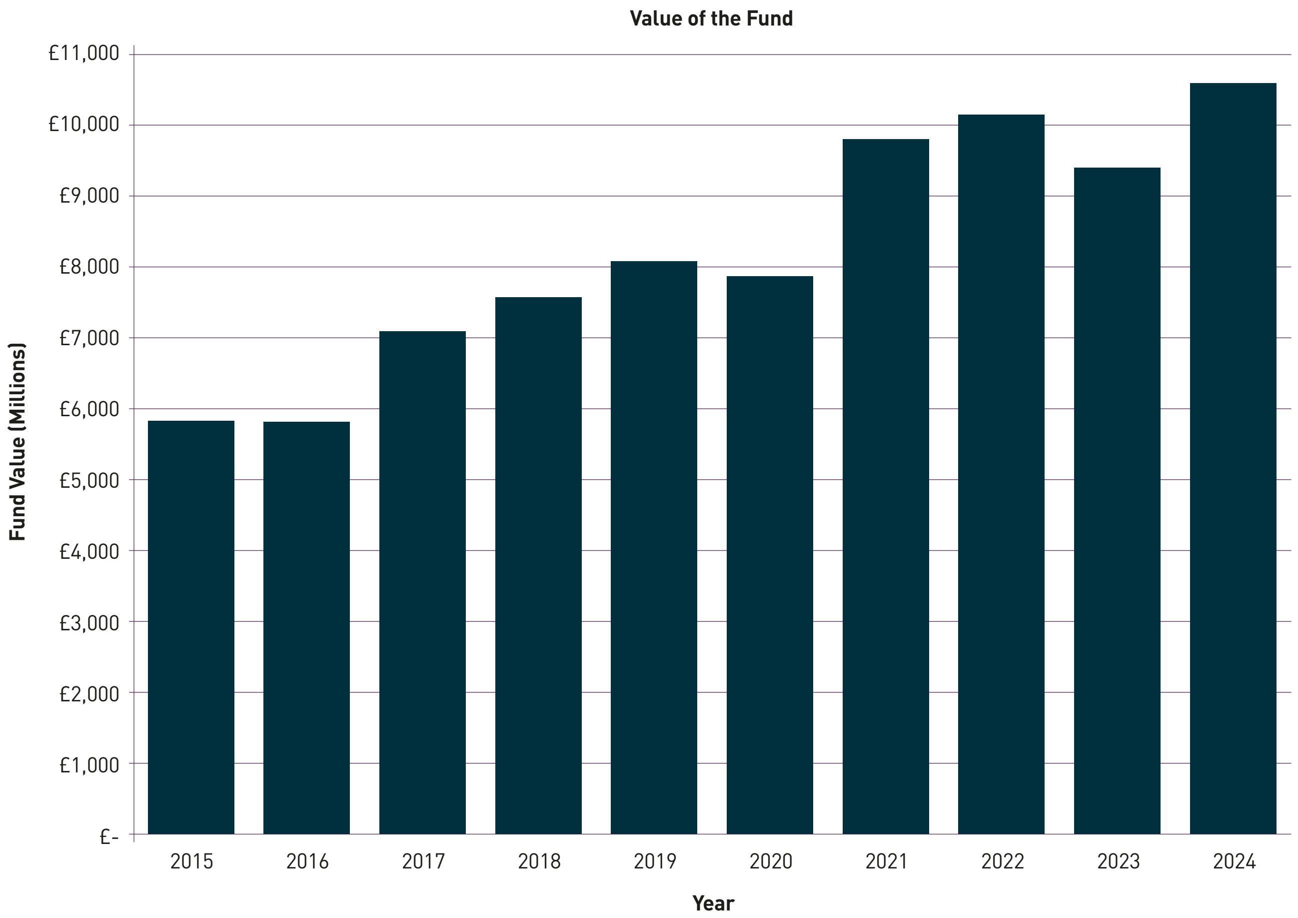




*Global Property returns for 31/12/2022 – 31/12/2023 as annual returns to 31/03/2024 not yet available.
Source: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Credit), JP Morgan (Aggregate Global Bonds).

## Fund Value

The value of the Fund at 31 March 2024 has increased by £933m to £10.463bn (2022/23 £9.530bn) or 9.79% 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 134 to 135.




## NILGOSC Investment Performance 2023/24

Over the year to 31 March 2024, the Fund's overall return on the total assets was 9.87% (gross of asset manager fees). NILGOSC's overall investment objective is to exceed the Consumer Price Index (CPI) by 3.0% per annum, to be measured over three and five-year periods. As NILGOSC's objective is to achieve the maximum return on Fund investments over the longer term, having due regard to the liabilities of the Fund and an acceptable level of investment risk, it is important that undue attention is not given to the returns for a single year in isolation.

The Fund underperformed its target by -7.6% on a three-year basis and by -2.3% on a five-year basis for the period ended 31 March 2024.

The comparable statistics for the three and five-year periods to 31 March 2024 on an annualised basis are set out in the table below:

| | Three Years % p.a. | Five Years % p.a. |
|---|---|---|
| Return of Fund | 2.24 | 5.41 |
| CPI + 3.0% | 9.86 | 7.73 |

CPI has been chosen as an overall benchmark as it offers an absolute measure which reflects the relative value of money in the real world, which is essential when the goal is ultimately to pay inflation-linked pensions into the future. It is however less meaningful over shorter periods, particularly when inflation moves significantly from historic averages and central bank target ranges, as seen in recent times.



It is not possible to invest directly in inflation and therefore asset returns will always be more volatile relative to a CPI benchmark, particularly during times of high inflation, and will result in significant over or underperformance over shorter, volatile periods of time.

The performance of the individual managers is monitored against the corresponding benchmarks 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+3.0% for consolidated reporting purposes.

NILGOSC monitored its investment managers and mandates on a quarterly basis throughout the year, with a focus on both quantitative and qualitative factors. Given that the focus remains on a five 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. A diversified collection of managers and strategies 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 2024, the value of the Fund increased in absolute terms to £10.463bn, an increase of £933m. Performance across NILGOSC's investment mandates was mixed, as strategies responded differently to the volatile market conditions over the year.

Overall, it was a disappointing year for NILGOSC's active equity managers, with the three existing mandates failing to meet their target. The Baillie Gifford Long Term Global Growth (LTGG) portfolio ended the year up 22.6% in absolute terms. Despite improved absolute returns over the period, the strategy was -1.5% behind target. 2023/24 marks the third difficult year for the LTGG strategy, after having boasted a run of eight consecutive years as NILGOSC's best performing global equity manager. The backdrop of rapid change, elevated inflation and geopolitical uncertainty over the last three years has led to market volatility resulting in underperformance, which is to be expected with any concentrated, high-conviction strategy with a growth tilt.

Despite recent challenges, the portfolio remains 1.9% ahead of target since inception, and the manager remains positive about the long-term prospects of the portfolio.

Unigestion was appointed in September 2016 and the mandate initially struggled due to continued unfavourable market conditions for this type of strategy. This mandate was selected as part of the overall NILGOSC investment strategy because of its defensive nature. It is expected to struggle in strongly rising or thematic markets, instead seeking to offer downside protection in falling markets by investing in more defensive, less volatile stocks, and should come into its own in more volatile market conditions. Over the year the portfolio significantly underperformed the target by -14.0% but did deliver positive absolute returns of 9.7%.

A third global equity manager, Harris Associates, was appointed in February 2024 to manage a £525m global equity portfolio with a growth focus. Whilst the timing of the mandate funding in the final month of the year meant that it was unable to make a meaningful contribution to overall performance for 2023/24, it did make a positive start, with a since inception returns of 5.6%, which is 2.7% ahead of target.

William Blair was appointed in April 2021 to manage a £235m segregated emerging markets equities portfolio, meaning that three and five-year performance is not yet available. It was a difficult year for emerging market equities and the portfolio underperformed over the period, lagging the target by -6.3%. NILGOSC is not unduly concerned with short term volatility in investment returns and a more meaningful performance assessment can only be conducted over a longer time period.

The UK property market had another difficult year encountering further repricing, however the core property portfolio, managed by LaSalle outperformed the market. It delivered a positive absolute return of 3.1% over the year, and outperformed its target for the year by 3.7%. This outperformance was driven by a number of significant asset management decisions over the year, as well as the portfolio's strategic over and underweight positions. The index-linked portfolio, also managed by LaSalle, returned -4.0% on an absolute return basis, underperforming its RPI-linked target over the year by -10.32%. This recent underperformance has been driven by a period of exceptionally high inflation and a market correction as interest rates have increased. Since the portfolio's inception in 2012, it has delivered a return of 4.3%, which is in line with the wider UK real estate market (MSCI UK Quarterly Property Index), but behind target, due to the significant impact of the past two years.

CBRE Investment Management (CBRE) was appointed as a global property manager in February 2020 and was tasked with building a diversified global property portfolio funded with an initial investment of £250m. The manager commenced drawdowns in May 2020, taking a prudent approach to capital deployment during the pandemic. As at 31 March 2024, the mandate is fully committed, approximately 96% drawn down and invested in 21 holdings across multiple geographies and sectors. It was a tough year for global property markets as elevated interest rates continued to impact on valuations, resulting in portfolio performance returns for the year of -7.3%, which is -12.3% behind target. Whilst returns over the year are disappointing, undue focus shouldn't be placed on short-term performance. The portfolio has performed well to date, with performance returns of 5.9% since inception, which is ahead of the 5-7% performance objective. A second global property manager, Partners Group was appointed in December 2023 to manage a global property portfolio of £285m, which will be drawn down and invested as suitable opportunities arise over the next two to three years. No draw downs were made before year end.

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 2023/24 the fund delivered a negative absolute return of -1.77% and fell short of delivering its target of a 6% absolute return. Despite continued rental income growth, downward valuations to reflect market pricing had an impact on capital returns over the period. The manager retains the view that the sector will continue to benefit from its defensive characteristics in a muted economic environment, noting that increased rental demand will support occupancy levels.

NILGOSC's passive manager, Legal & General Investment Management (LGIM) has a mandate covering global equities, fixed income and cash, and has an objective to track the appropriate market index for each fund within stated tolerances. NILGOSC's passive equity holdings with LGIM are invested in the LGIM Low Carbon Transition Fund (LGIM LCT), split between the hedged and unhedged version of the funds. The funds track the 'Solactive L&G Low Carbon Transition Developed Market' index, the strategy of which is to reduce exposure to carbon emissions over time.

The LGIM portfolio also includes index-linked gilts holdings in line with the target allocation for the asset class, as well as holdings in the Sterling Liquidity fund. LGIM continued to perform broadly in line with the various indices throughout the year, reporting an overall absolute return of 14.64%. Although global equities were strong, with the LCT portfolios returning 25.08%, this was offset by returns on over 5-year index linked gilts of -6.83%, as continued market concern about inflation drove yields higher over the period, although there was variation during the year.

The Multi-Asset Credit (MAC) and Absolute Return Bonds (ARB) managers were appointed in March 2019. It was another difficult year for these mandates, with geopolitical tensions and inflation impacting the fixed income markets and three of the four managers underperformed their respective targets. The MAC managers both delivered positive returns for the period. PIMCO delivered positive absolute returns of 8.2%, outperforming the market by 0.2% but was -1.0% behind target. BlueBay's performance improved significantly compared to prior year, with an absolute return of 10.4% and 0.3% ahead of target. The ARB managers also experienced fluctuating performance, but on the whole, bonds performance was weaker than credit. RLAM delivered positive absolute performance returns of 6.8% over the year (0.8% behind target), however, T. Rowe Price had negative absolute returns of -3.6%, which was significantly behind target by 11.7%.

During 2023/24, NILGOSC continued to implement its plan to reduce its allocation to equities and increase its investment in a range of infrastructure funds.





Further capital was drawn in respect of existing infrastructure fund commitments as shown in the following table:

| Infrastructure Fund Name | Committed Fund Currency | % Drawn down at 31 March 2024 |
|---|---|---|
| **Primary Funds** | | |
| Antin Infrastructure Fund II | € 44,160,000 | 95% |
| Antin Infrastructure Fund III | € 75,000,000 | 87% |
| Antin Infrastructure Fund IV | € 75,000,000 | 80% |
| Antin Infrastructure Fund V | € 75,000,000 | 14% |
| Antin Infrastructure Mid Cap Fund I | € 45,000,000 | 47% |
| Copenhagen Infrastructure Fund IV | € 50,000,000 | 41% |
| DIF Infrastructure Fund V | € 50,000,000 | 83% |
| DIF Infrastructure Fund VII | €100,000,000 | 26% |
| iCON Infrastructure Fund VI | $100,000,000 | 37% |
| IFM Global Infrastructure Fund | £100,000,000 | 100% |
| KKR Global Infrastructure Investors Fund II | $60,000,000 | 96% |
| KKR Global Infrastructure Investors Fund III | $50,000,000 | 84% |
| **Co-investments** | | |
| Antin III Carnot Co-Invest LP | € 20,780,000 | 89% |
| Antin III Flight Co-Invest LP | $20,612,831 | 100% |
| Antin IV Gator Co-Invest LP | $9,200,000 | 100% |
| Antin IV Gauss Co-Invest LP | € 8,000,000 | 96% |
| Antin IV Whistler Co-Invest LP | €8,000,000 | 85% |
| Antin IV Co Investments – remaining commitment | €481,482 | 0% |
| Coral Projects Investment LP | £7,895,932 | 100% |
| Equitix MA 10 LP | £7,608,750 | 100% |
| Equitix MA 12 LP | £10,000,000 | 100% |
| GIP Aquarius Fund GP | $20,000,000 | 100% |
| KKR Byzantium Co-Invest II LP | € 9,500,000 | 100% |
| Resonance British Wind Energy Income LP | £9,000,000 | 98% |
| Waterloo Place (1) LP | £10,500,000 | 100% |
| Waterloo Place (2) LP | £9,012,884 | 100% |
| DIF V Titanium | $20,000,000 | 36% |

Antin Infrastructure Partner's flagship funds to which NILGOSC has made commitments (Antin II, Antin III, Antin IV and Antin V) focus on building diversified portfolios of brownfield infrastructure assets in sectors with strong inflation-linked cashflows such as energy and environment, transportation, social and telecommunications. The target geography for assets is primarily Western Europe. Antin II is currently divesting; Antin III and Antin IV are fully invested, while Antin V, to which NILGOSC committed €75m in September 2022, will reach final close in May 2024. The Antin Mid Cap I fund, which invests in the same sectors as its predecessors, but with deal sizes limited to between €50 – 300m, continued drawing down capital and making investments during the year. During 2023/24, the CI IV fund, managed by Copenhagen Infrastructure Partners also continued drawing down. The strategy focuses on developing and building renewable energy generation assets in Europe, North America and Asia Pacific. DIF V and DIF VII are Dutch-managed Infrastructure funds with a focus on regulated assets, renewable energy and social infrastructure, predominantly in Europe and North America. DIF V is fully invested, while DIF VII, to which NILGOSC committed €100m in July 2022, reached final close on 28 February 2024, and continues making investments at pace. In May 2022, NILGOSC committed $100m to iCON Infrastructure Fund VI. It is a closed-ended fund with a focus on diversified brownfield infrastructure assets primarily in Europe and North America, which continues to draw down and make investments.

NILGOSC's £100m commitment to established open-ended fund, IFM Global Infrastructure Fund was drawn in full in December 2022. The strategy focuses on core, brownfield infrastructure across sectors such as roads, rail, airports, energy, telecommunications and renewables. The KKR II and KKR III funds also focus on brownfield assets in sectors such as energy, environment and telecommunications, primarily across Europe and North America but with some exposure to South America and Asia, providing NILGOSC with geographic diversification. KKR II is currently divesting, whilst KKR III, which commenced drawdowns in late 2018, is fully invested.

As part of its strategic theme of collaboration, NILGOSC continued to work together with likeminded investors in 2023/24 to co-invest in attractive infrastructure opportunities, allowing investors and their stakeholders to gain from benefits of scale and improved commercial terms. NILGOSC often coinvests alongside Lothian Pension Fund (Lothian) and its partners.

However, in the year to 31 March 2024, NILGOSC did not enter any new opportunities with Lothian or other partners, ending the year committed to eight co-investment infrastructure projects with Lothian, totalling a commitment of £78.5m. A further £55.5m is committed to five infrastructure co-investment opportunities directly with Antin, and £15.8m is invested in a renewables co-investment managed by DIF Capital Partners. It is intended that the co-investment strategy sits 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

NILGOSC believes that environmental, social and governance (ESG) issues can affect the financial performance of investments and considers there to be a risk of underperformance relative to expectations, as a result of ESG issues not being reflected in asset prices and/or not considered in investment decision making. Accordingly, NILGOSC believes that these factors should be taken into account when managing the Fund's assets, subject to the overriding fiduciary duty to maximise the financial return on investments.

NILGOSC's approach to how such issues are incorporated into its investment practices is set out in its Statement of Responsible Investment, a copy of which is available on the NILGOSC website at **www.nilgosc.org.uk**.

NILGOSC does not make any investments solely for ESG reasons. Instead, it has instructed its active investment managers, across all asset classes, to take account of ESG considerations provided the primary financial obligation is not compromised. NILGOSC also encourages its infrastructure and property managers to adopt sustainable asset management practices with respect to their holdings. When appointing a new manager, NILGOSC assesses their ability to include ESG issues within the investment decision making process. Any manager not able to demonstrate such a capability is excluded from the next stage of the selection process. After appointment, NILGOSC monitors managers' action in the area, and works with the managers and others in the investment sector to seek sufficient data to aid effective decision making.

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.

### Stewardship

Stewardship, as defined by the UK Stewardship Code, is "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]."

NILGOSC believes that responsible ownership is about recognising that the impacts of corporations on the environment, on workers and on communities can seriously affect shareholder value. It also places a high value on companies' own good governance.

In the UK, the UK Corporate Governance Code identifies the principles that underlie an effective board; while the UK Stewardship Code sets out the principles of effective stewardship by investors, both of which are the responsibility of the Financial Reporting Council (FRC). As well as voting, activities can include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration.

NILGOSC is an active investor and seeks to use its influence to engage with policy makers, governments, asset managers and individual investee companies in respect of its actively managed holdings.

The UK Stewardship Code focuses on the activities and outcomes of stewardship. To become a signatory, organisations are required to produce an annual Stewardship Report explaining how they have applied the Code in the previous 12 months. The FRC will assess each report and if it meets the FRC's reporting expectations, the organisation will be listed as a signatory to the Code. Once listed, organisations must continue to report annually in order to remain signatories.

NILGOSC supports the principles set out in the Stewardship Code and seeks to promote these principles both directly and indirectly through the mandates given to its investment managers. Following submission of its first Stewardship Report, NILGOSC was successfully listed as a signatory to the UK Stewardship Code in September 2022. In order to remain a signatory, NILGOSC prepared its second annual Stewardship Report (covering the 12 month-period ending 30 June 2022) and submitted it to the FRC for review in May 2023.

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

NILGOSC was pleased to be informed, in August 2023, that it continued to meet the FRC's expected standard of reporting and it will continue to be listed as a signatory to the UK Stewardship Code. NILGOSC's Stewardship Code report for the year ending 30 June 2023, was submitted to the FRC in May 2024.

### Voting

NILGOSC invests in a range of different companies. The shares that NILGOSC owns entitle it to vote at shareholder meetings. NILGOSC believes that, as a responsible investor, it has a legitimate interest in the management of the companies in which it invests and supports the use of voting as a means of expressing concern over ESG issues. By exercising its right to vote at company meetings, NILGOSC seeks to improve corporate behaviour and protect shareholder value, by maintaining effective shareholder oversight of directors and company policies, which is the process on which the current system of corporate governance depends.

NILGOSC expects the companies in which it invests to comply with ESG best practice and annually updates its bespoke Voting Policy, to ensure it is up to date with current best practice. NILGOSC's Voting Policy represents its view on what it believes are important elements of good corporate governance and the principles which will be used to determine voting decisions on specific issues. It provides a basis for communicating with investee companies, and for holding directors accountable for the stewardship of the companies they manage.

NILGOSC uses the services of a specialist corporate governance partner, Minerva Analytics Ltd (Minerva), to coordinate its corporate governance and voting activities. NILGOSC avails of Minerva's research service to provide detailed information and financial analysis for each of its actively managed equity holdings, to help it make informed voting decisions in line with NILGOSC's Voting Policy. 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 investment managers, where appropriate, before exercising its vote.

A summary of the Fund's global voting record of actively managed equities for the year ended 31 March 2024 is shown in the following table:

| | Europe | North America | Rest of World |
|---|---|---|---|
| **Annual General Meetings** | 15 | 66 | 63 |
| **Other Meetings** | 3 | 2 | 43 |
| **Resolutions** | 347 | 1,070 | 840 |
| **Votes For Management** | 238 | 584 | 541 |
| **Votes Against Management** | 109 | 486 | 299 |

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

### Engagement

NILGOSC acknowledges that good ESG practices can favourably impact both financial performance and society in general. Accordingly, NILGOSC believes that engagement with companies is a key part of any responsible investment strategy.

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

All active 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 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 some of the companies in which it invests. For companies listed in Europe, where NILGOSC intends to vote against management at a company's Annual General Meeting, a letter is 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 2023/24, NILGOSC issued engagement letters to 15 European companies, where votes were cast against management recommendations.





NILGOSC is aware that it is just a small voice, and one way to amplify that voice is to collaborate with other like-minded investors and groups. Therefore, NILGOSC considers collaborative engagement a key part of any responsible investment strategy and will seek to work collectively with others in order to maximise its influence.

Demonstrating its commitment to responsible investment practices, NILGOSC has been a signatory to the United Nations-supported Principles for Responsible Investment (PRI) since 2007. The global benchmark can be applied 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 PRI's Principles via annual reporting using the PRI reporting framework. Due to an extensive review and redesign of the framework, there was no reporting cycle in 2022. NILGOSC resumed reporting against the principles in 2023, reporting on the year to 31 March 2023. The overhauled reporting framework continues to assess: each organisation's overarching approach to responsible investment; the integration of responsible investment in manager selection, appointment and monitoring; and active ownership within each asset class, including engagement and proxy voting. Assessments are awarded scores based on a scale of 1-5 stars; with 1 star being the lowest score and 5 stars being the highest.

In January 2024, NILGOSC received its assessment report for the year ended 31 March 2023, demonstrating positive results for the year. NILGOSC performed either in line with or above the median of signatory scores in the majority of the areas assessed: receiving a 5 Star rating for the 'Policy Governance and Strategy' module and 4 stars for the 'Confidence Building Measures' module. For the six sub-categories assessed as part of the 'Manager Selection, Appointment, and Monitoring' module, NILGOSC received three 4 Star and three 3 Star ratings; with only the 'Infrastructure' sub-category performing below the median, despite scoring 3 Stars. Detail behind the scoring and assessment methodology can be found on the PRI's website. NILGOSC's public transparency report is available to download on the PRI's database and NILGOSC's full assessment report is available to review on the NILGOSC website.

During the year to 31 March 2024, NILGOSC was a member of the Occupational Pensions Stewardship Council (OPSC), a dedicated council of UK pension schemes to promote and facilitate high standards of stewardship and 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.

During the year, NILGOSC co-signed a statement on Corporate Governance issued by the International Corporate Governance Network (ICGN) to UK authorities and relevant stakeholders. The letter makes the case for the UK maintaining robust investor protection and high corporate governance standards, opposing recent proposals for reforms which signatories consider detrimental.

NILGOSC also participates in PRI-facilitated and other collaborative engagements where appropriate.

### Climate Risk

As a long-term investor, a changing climate presents significant long-term risks to the value and security of pension scheme investments and capital markets more broadly.

The changing climate presents a variety of risks and opportunities for pension fund investors. Investment practices should therefore seek to protect assets from climate risks, such as weather events and regulatory change, while simultaneously seizing the new opportunities that a low-carbon economy presents.

NILGOSC believes that climate change presents a material financial risk to the Fund and therefore takes climate risk considerations into account as part of its investment strategy. NILGOSC considers that this approach is consistent with its fiduciary duty to act in the best long-term interests of its members and to deliver the long-term returns necessary to ensure an affordable and sustainable pension fund. NILGOSC developed a Climate Risk Statement to sit alongside the Statement of Responsible Investment, which acknowledges the importance of climate risk as an investment issue and sets out the steps which will be taken to address it.

More than half of the Fund's assets are actively managed, and NILGOSC only appoints active investment managers who can take climate change risk into account when making investment decisions. A significant portion of NILGOSC's assets are also held passively. Passively managed equities are designed to follow an index, meaning no active decision-making is undertaken and therefore ESG issues, including climate risk, cannot be specifically taken into account. However, a decision can be made in the selection of which index to track.

Therefore, as a means of mitigating climate risk, NILGOSC's passive equities are held in a fund which tracks a climate-tilted, carbon transition index and seeks to replicate the performance. The strategy behind the 'Solactive L&G Low Carbon Transition Developed Market' index, which the LGIM-managed fund tracks, is to self-decarbonise by reducing exposure to carbon emissions over time. The index aims to reduce carbon intensity by 70% relative to the starting universe at the outset, and to reach the goal of achieving Net Zero carbon emissions by 2050.

The Taskforce on Climate-related Financial Disclosures (TCFD) was established in 2015 to develop a reporting framework based on a set of consistent disclosure recommendations, as a means for supporters to provide transparency about their exposure to climate-related risks. In 2017, the TCFD released its climate-related financial disclosure recommendations, and since then, the recommendations have become the foundation for many national and international climate-related disclosure requirements. As a result of the TCFD's success, it was announced in October 2023 that the taskforce had fulfilled its remit and was disbanded. The International Financial Reporting Standards (IFRS) Foundation have taken over the role of monitoring the progress of companies' climate-related disclosures.

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. NILGOSC became an official TCFD supporter in June 2020, and continues to support the recommendations.

Full implementation of TCFD reporting framework can take many years, with learnings along the way which help reporting bodies adapt and optimise disclosures. NILGOSC published its third report (for the year ended 31 March 2023) in December 2023 and it builds upon the context and disclosures provided in prior years, helping NILGOSC prepare ahead of forthcoming regulation. Disclosures are organised around the TCFD's four thematic areas, representing the core elements of how organisations operate: governance; strategy; risk management; and metrics and targets.

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 leading European-focused investor membership organisation for collaboration on climate change. IIGCC represents over 400 members with more than €65tn in assets. NILGOSC is also a supporter signatory to the Climate Action 100+ initiative, which launched in 2017, initially as a five-year investor-led initiative to encourage the world's largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change risks. Phase 2 of Climate Action 100+ commenced in 2023 and will run through to 2030. Alongside 700 global investors who are responsible for more than $68 trillion (USD) in assets under management, NILGOSC continues to support the initiative. Building on the demonstrable success of phase 1, the initiative's new phase shifts focus from corporate climate-related disclosure to the implementation of corporate climate transition plans.

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

- Signatory to the CDP's (formerly the Carbon Disclosure Project) 2023 Climate Change, Forests and Water programmes and renewing its commitment by signing up to their 2024 programmes. NILGOSC supports the CDP's work to improve the management of environmental risk by encouraging listed companies to measure and disclose environmental information, which it does by issuing annual questionnaires on behalf of its investor signatories, requesting standardised climate change, water and forest information;
- Signatory to the CDP's 2023 Non-Disclosure campaign, calling on companies to report on their environmental impact through CDP's questionnaires. In the 2023 campaign, NILGOSC was one of 288 signatories with nearly $29 trillion USD in assets. NILGOSC was a co-signer on the campaign which meant demonstrating its support for the campaign by undersigning all company-specific engagement letters sent by the lead signatories to the targeted companies.
- Signatory to an IIGCC-facilitated letter to the EU commission on Preserving the EU Taxonomy's sustainable purpose.

- Supported a joint letter from the IIGCC, PRI and UKSIF to UK PM Rishi Sunak in September 2023, arguing that delaying key targets and lowering climate-ambitions could result in the UK missing out on investment to other nations that are taking a more consistent, long-term approach.
- Signatory to the CPD's 2023 Science-Based Targets Campaign, a collaborative engagement requesting that companies set an emissions reduction target approved through the Science Based Targets initiative, the industry standard for credible climate targets that cover all of a company's value chain emissions.
- Endorsed the UN PRI Spring initiative, with the objective of investors contributing to the goal of halting and reversing biodiversity loss by 2030.

NILGOSC believes that transparency is important, making policies, statements and reports available on its website for all stakeholders or interested parties to review. NILGOSC's Statement of Responsible Investment, Climate Risk Statement and Voting Policy are available in the "Being a Responsible Investor" section of the NILGOSC website at **www.nilgosc.org.uk**, along with further detail on voting activity, annual reporting on Stewardship and Climate Risk, and a list of recent collaborative engagements and initiatives that NILGOSC has been involved in.

## LONG TERM EXPENDITURE TRENDS

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

### Key Financial Information

| | 2023/24 £'000 | 2022/23 £'000 | 2021/22 £'000 | 2020/21 £'000 | 2019/20 £'000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Contributions received and transfers in | 380,902 | 348,495 | 310,277 | 295,731 | 318,645 |
| Investment income | 192,666 | 153,311 | 132,066 | 131,877 | 148,974 |
| **Benefits paid** | | | | | |
| Retirement pensions | (262,919) | (232,220) | (217,129) | (209,197) | (198,821) |
| Lump sum retirement benefits | (77,926) | (61,374) | (53,644) | (45,127) | (59,525) |
| Death benefits and leavers | (15,525) | (15,963) | (12,910) | (11,253) | (10.305) |
| **Other expenditure** | | | | | |
| Administration expenses | (5,987) | (6,247) | (5,527) | (5,061) | (5,268) |
| Investment management expenses | (28,805) | (26,846) | (25,720) | (25,473) | (23,580) |
| **Net Assets** | | | | | |
| Net Assets | 10,463,029 | 9,529,901 | 10,231,058 | 9,795,486 | 7,877,906 |
| Change in market value of investments | 750,723 | (866,920) | 304,493 | 1,788,901 | (332,354) |

| **Membership Statistics** | | | | | |
|---|---|---|---|---|---|
| | **2023/24** | **2022/23** | **2021/22** | **2020/21** | **2019/20** |
| Active members | 84,090 | 80,703 | 73,960 | 70,881 | 68,153 |
| Deferred members | 39,689 | 36,911 | 34,222 | 31,698 | 32,316 |
| Current pensioners of whom: | 45,711 | 43,315 | 41,557 | 39,913 | 38,579 |
| Retired Employees | 39,433 | 37,162 | 35,553 | 33,980 | 32,752 |
| Widows/widowers/dependants | 6,278 | 6,153 | 6,004 | 5,933 | 5,827 |
| Total | 169,490 | 160,929 | 149,739 | 142,492 | 139,048 |



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 material increase in 'active' and 'deferred' membership in 2022/23 is the result of a payroll consolidation exercise conducted during 2022/23 by one large employer, rather than a significant increase in recruitment more broadly across Scheme employers.

The pattern in contributions income reflects movements in contribution rates and adjustments, active membership and annual pay settlements. Common contribution rates are set following an actuarial valuation exercise for most Scheme employers. The 2016 valuation exercise identified a shortfall in funding and as well as a stepped increase in contribution rates from 18% – 20%, additional deficit recovery payments were introduced from 2018 – 2020. The 2019 actuarial valuation determined the Fund to be in a surplus position so deficit payments ceased and a common contribution rate of 19.5% was introduced for most employers from 2021 – 2023. The material change in rates and adjustments between the two actuarial valuations is the main determinant of the decrease in contribution income between 2019/20 and 2020/21. The material increase in contribution receipts from 2022/23 reflects higher than typical pay awards in 2022 - 2024 across the broader Scheme employer base.

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. The investment in absolute return bonds (ARB) and multi-asset credit (MAC) mandates in March 2019 contributed to a material increase in fixed interest income from 2019/20. The drop in UK equities income following the termination of two UK equities mandates late in 2020/21 was somewhat compensated by the uplift in fixed interest income and distributions from a global property fund (categorised as a Pooled investment vehicle). As this fund was drawn down in 2022-23, the full year impact of this fixed interest income stream contributed to the material uplift in investment income in 2022/23. The significant uplift in 2023/24 is consistent with the asset performance reflecting a 30% year-on-year increase on interest income from the MAC and ARB mandates, 10% increase in dividend income from equities and 100%+ increase in interest earned from cash deposits.

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.

While the movements are consistent with broad historical patterns of retirement activity, the overall value of lump sum retirement benefits is dependent on the salary and service history of those individual members retiring in the period, 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 post pandemic related deviation indicative of any change in the historical pattern of membership death benefits over the last three years.

Administration expenses remained reasonably consistent over the three years from 2019/20 to 2021/22 after material non-cash actuarial adjustments for IAS 19 current service pension. The adjusted figures for administration expenditure for the past decade can be seen on the Cost per Member table on Page 30. The annual increase in administration expenditure from 2022/23, is consistent with pay settlements from 2022/23 that were higher than those in the preceding periods and inflationary pressures on supplies and services, particularly energy, coupled with more regular levels of activity, post pandemic. There was a budgeted increase in professional fees linked to actuarial, legal and audit fees and a material increase in non-cash related amortisation for the commencement of a licence fee renewal for the pension administration platform from January 2023.

Following the move from equities to fixed income mandates in March 2019 there was a material increase in investment expenditure. The MAC and ARB 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 since 2019/20, as noted previously. The marked increase in investment management expenditure in 2022/23 reflects the full year impact of the new global property fund and additional infrastructure mandates which are also more expensive asset classes to manage. The uplift in 2023/24 is consistent with the overall fund returns recorded as investment management fees are directly linked to asset values and performance.

**David Murphy**
**Chief Executive and Secretary**

30 August 2024

# 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 chairperson, 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. There were two vacancies outstanding at 31 March 2024, that of chairperson and one independent member.





On 30 May 2024, the Minister for Communities approved the temporary appointment of Derek McCallan to the role of Chair, retrospective to his election to the position of Deputy Chair on 29 January 2024.

The following table shows the composition and term of office of Committee members during 2023/24.

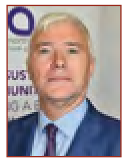
| | Term of Office | |
|---|---|---|
| **Lindsay Todd** | First | 1 May 2019 – 30 April 2023 |
| **Mark McBride** | First | 1 May 2019 – 30 April 2023 |
| **Paul Francey** | First | 1 April 2020 – 31 March 2024 |
| **Antoinette McMillen** | First | 1 April 2020 – 31 March 2024 |
| **John (JJ) Tohill** | First | 1 April 2020 – 31 March 2024 |
| **Michael Rafferty** | First | 1 April 2020 – 31 March 2024 |
| **Joan McCaffrey** | First | 1 April 2020 – 31 March 2024 |
| **Alan Law** | First | 1 October 2020 – 30 September 2024 |
| **Kenneth Clayton** | First | 1 October 2020 – 30 September 2024 |
| **Peter Moore** | First | 1 October 2020 – 30 September 2024 |
| **Shane McCurdy** | First | 1 October 2020 – 30 September 2024 |
| **Derek McCallan** | First | 1 May 2021 – 30 April 2025 |
| **Heather McKinstry** | First | 1 May 2021 – 30 April 2025 |

The biographies of the Committee members who served throughout the year are set out below.

## Chair (until 30 April 2023)

**Mr Lindsay Todd OBE**
Mr Todd was, until retirement, an equity partner in PwC. He is currently a Commissioner on the Independent Commission for Reconciliation & Information Recovery and an Independent Pension Trustee of the Progressive Building Society's scheme. He is also a member of the Investment Committee at Queen's University Belfast and the Disciplinary Panel of the Professional Standards Board.

## Interim Chair (appointed 29 January 2024)



**Mr Derek McCallan**
Derek McCallan is immediate past CEO of the Northern Ireland Local Government Association (NILGA) stepping down after a decade of advising and supporting the Association's all-Party leaders and its all-council Executive, taking forward policy, investment and devolution priorities. Prior to this he enjoyed 14 years in local government leadership, across the U.K., driving strategic partnerships between commercial, community, social / rural economy partners, drove elected member learning & development and new community level performance improvement. He has worked at senior level for voluntary and charitable bodies including Colin Glen Trust & Co-operation Ireland.

## Committee Members

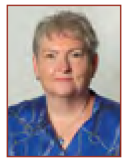
### Employee Representatives

**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. This involves extensive experience in the administration of pension schemes, evaluating risk and taking decisions in respect of actuarial reports and investment monitoring. He is the lead negotiator for NIPSA in respect of members employed by the Education Authority. Mr Law is a Department of Education representative on the board of governors of two schools, an integrated primary school and a voluntary grammar school.

**Ms Antoinette McMillen**
Ms Antoinette McMillen is an acting Deputy Secretary of the NIPSA Trade Union through which she has developed communication, strategies, and gained experience of building working relationships with a broad range of people and organisations in the public and private sectors. As a Trade Union Official she has experience of making decisions, developing policy, strategy and tackling complex issues. She led teams through a range of difficult campaigns and reviews such as the Review of Public Administration. She has been an Employee Organisation Representative Member on NILGOSC from 1 April 2020 to 31 March 2024.



**Ms Heather McKinstry**
Ms Heather McKinstry is a member of Unison's National Local Government Service Group Executive and Devolution Working Group. She is also a member of Unison NI Regional Committee and Local Government Service Group. She works as the Trade Union Side Officer for the Education Authority NI co-ordinating work for the four main Unions. She holds no other public appointments and has had no political activity in the last five years.

### 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.

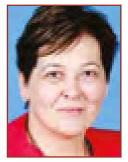
**Mr JJ Tohill**
Mr Tohill is Strategic Director of Corporate Services and Finance and a member of Mid Ulster District Council's Senior Management Team with responsibility for the finance function and governance, and the design and implementation of effective controls. He has experience of using communication 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 Executive and former Chief Finance Officer for the North Eastern Education and Library Board 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 Derek McCallan**
Derek McCallan is immediate past CEO of the Northern Ireland Local Government Association (NILGA) stepping down after a decade of advising and supporting the Association's all-Party leaders and its all-council Executive, taking forward policy, investment and devolution priorities. Prior to this he enjoyed 14 years in local government leadership, across the U.K., driving strategic partnerships between commercial, community, social / rural economy partners, drove elected member learning & development and new community level performance improvement. He has worked at senior level for voluntary and charitable bodies including Colin Glen Trust & Co-operation Ireland.

### 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 (until 30 April 2023)**
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.

In the year ended 31 March 2024 seven data incidents were assessed and reported in line with the guidance and eight minor incidents were assessed as non-reportable.

## 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 2024

### 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 2024 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 2023/24

NILGOSC is a non-departmental public body (NDPB) sponsored by the Department for Communities ("the Department"). NILGOSC has worked with the Department during 2023/24 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 2024.

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

### 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
- 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), the Staffing Committee and the Internal Dispute Resolution Committee (IDRC). The IDRC has delegated powers to reach a decision on behalf of the Committee. The Committee also has the possibility to establish an ad-hoc Staff Appeals Committee to hear grievance and disciplinary appeals. This sub-committee also has the ability to reach a decision on behalf of the Committee. Following each sub-committee meeting, the relevant Chairperson 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. The Management Committee has two vacancies, that of the Chairperson and one independent member. These positions have been vacant since 1 May 2023. The Department for Communities will undertake a recruitment competition to fill the vacant positions.

Details on terms of membership are set out in the Chief Executive's Report on page 67. 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 2023/24. The Audit & Risk Assurance Committee met four times, the Staffing Committee and the IDRC met five times during the year. A schedule of membership and attendance for the year is shown in the following table below:

| | Management Committee | | Audit & Risk Assurance Committee | | Staffing Committee | | Internal Dispute Resolution Committee | |
|---|---|---|---|---|---|---|---|---|
| | Called | Present | Called | Present | Called | Present | Called | Present |
| Joan McCaffrey | 9 | 9 | 2 | 2 | - | - | 5 | 5 |
| Antoinette McMillen | 9 | 8 | 4 | 3 | - | - | - | - |
| Paul Francey | 9 | 8 | - | - | 1 | 1 | - | - |
| JJ Tohill | 9 | 9 | 2 | 2 | 1 | 1 | - | - |
| Michael Rafferty | 9 | 9 | 4 | 4 | - | - | - | - |
| Shane McCurdy | 9 | 9 | 1 | 1 | 1 | 1 | - | - |
| Peter Moore | 9 | 9 | - | - | - | - | 5 | 4 |
| Kenneth Clayton | 9 | 8 | - | - | - | - | 5 | 5 |
| Alan Law | 9 | 6 | 2 | 1 | 1 | 1 | - | - |
| Heather McKinstry | 9 | 6 | - | - | - | - | 5 | 4 |
| Derek McCallan | 9 | 9 | - | - | - | - | 5 | 5 |
| **Average % Attendance** | | **90.9%** | | **87.5%** | | **100%** | | **92%** |

N.B Lindsay Todd and Mark McBride attended meetings in an observer capacity from 1 May 2023 until 24 January 2024 as it was the Department's intention to re-appoint these members for a further term. On 24 January 2024 NILGOSC was notified that the Secretary of State had directed the Department to undertake a new appointment exercise rather than make re-appointments.

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.

### 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 2024 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 2023/24 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 May 2021, to review NILGOSC's Vision, Mission, Values, Strategic Aims and Objectives. NILGOSC has also identified seven overarching strategic themes, which form the framework for strategic planning and decision making: engagement; innovation: collaboration, governance; operational excellence; financial sustainability; and stewardship. These seven themes continue to form the framework for strategic planning and decision making within NILGOSC. The next strategic review is currently being undertaken.

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.

On 29 September 2021, the Department of Finance issued DAO (DoF) 07/21 'Guidance on Conflicts of Interest'. A new Conflicts of Interest Policy and a revised Code of Conduct for Committee members was agreed with the Department on 15 April 2022 and noted by the Management Committee at its meeting on 24 May 2022. The Staff Code of Conduct was also aligned with the new Conflicts of Interest Policy and noted by the Management Committee at its meeting on 22 August 2022. Any identified conflicts of interest and potential conflicts of interest are managed in accordance with the strategies outlined in Conflicts of Interest Policy. There were several potential conflicts and one actual conflict identified by the Committee during 2023/24 which were managed in line with the Conflicts of Interest Policy.

**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 completed the TPR's Governance and Administration survey, which monitors compliance of Schemes against the requirements of the Code. NILGOSC has also completed the Administrator's Survey which monitors how administrators adopt to the regulatory landscape. In addition to this, NILGSOC also submits an annual Scheme return, which provides updated Scheme information to TPR.

One of the requirements of the Code is the reporting breaches of the law to TPR. NILGOSC assesses any potential breaches in line with it Breach Reporting Procedure. Any identified breaches were assessed in line with this during 2023/24 with one considered materially significant. This was reported to TPR during the reporting period, with action taken to address the breach, and confirmation back from TPR that no action would be taken.

On 17 March 2021, TPR issued its new draft Code of Practice for consultation. NILGOSC responded to this consultation. TPR laid the new General Code of Practice in Parliament on 10 January 2024, and it came into force on 28 March 2024 in England, Scotland and Wales. The General Code was presented to the Northern Ireland Assembly on 26 January 2024, and will come into effect when an Appointed Order Day passes. This date is yet to be confirmed.

NILGOSC has undertaken a gap analysis for compliance against the new and/or revised requirements for public sector pension schemes based on the published General Code of Practice and is assured that it complies with the new Code.

**5. Departmental Approvals**

In line with the DoF Pay Remit approval process, NILGOSC received approval for the National Joint Council pay settlement for 2023/24 on 26 January 2024.

The Department provided approval for the contractual element of the 2024/25 pay remit on 11 April 2024. The National Joint Council pay settlement for 2024/25 remains outstanding at the time of writing.

In December 2022, the Committee also approved an increase in all salaries with the exception of the Secretary by 2 pay points. The proposal intended to align NILGOSC's salaries with the wider local government sector. The Departmental is considering this pay increase submission and pay remit approval remains pending at the time of writing.

NILGOSC received approval from the Department of Finance on 23 May 2024 for the write-off of bad debts. These write-offs are detailed in the Assembly Accountability Report on page 90. Under the Financial Memorandum NILGOSC sought approval from its sponsor department, DfC, on 24 October 2023 for the write off of a single pensioner overpayment in excess of £500 (£8,820) which was deemed irrecoverable. There were further death related overpayments exceeding £500 per case (£2,434) where write-off approval was sought and received on 21 May 2024.

In line with the Management Statement the Department approved NILGOSC's Aims and Objectives for 2023/24.

**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 2023/24. 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 the Governance Team 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 2023 and 31 March 2024.

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. As a result of the 2023/24 annual risk review, one new risk was added to the risk register and one risk was removed from the risk register. During the 2023/24 year two new risks were added to the register addressing ongoing issues with the McCloud Remedy. The ARAC reviewed the risk register 2023/24 at its meeting on 30 May 2023, which was subsequently approved by the Management Committee on 12 June 2023.

The annual review for 2024/25 was carried out on 30 April 2024. The review included consideration of challenges facing NILGOSC in 2024/25, including the McCloud Remedy, Cyber risk, AI, the implications on workload and statutory requirements associated with the Pensions Dashboard, potential changes in government policy as a result of General Election and the impacts on NILGOSC investments, and any outworkings of a Strategic Review of NILGOSC being undertaken by the Department. All existing risks were reviewed, with two risks removed, and controls and risk scores amended as appropriate.

As a result of the review no new risks were added however, a financial risk pertaining to ineffective change management resulting in failed projects was removed. Another risk in relation to software programming for the McCloud legislation was removed. The 2024/25 risk register contains 51 risks in total, 11 of which have been categorised as strategic and six of which have a "red" risk status.

Despite continued staff recruitment and retention challenges in 2023/24 NILGOSC continued to operate and provide a full and effective service to its members and pensioners throughout the last 12 months. Looking forward to 2024/25, NILGOSC will continue to have challenges to manage with the administrative burden of the McCloud judgment and related litigation, as well as preparatory work for the implementation of the Pensions Dashboard. 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 several enhancements to its IT infrastructure in the last number of years to improve disaster recovery. The 2023/24 annual business continuity test assessed the failure of the primary WAN link, and also tested the organisation's response to a mock cyber-attack. The outcome of the tests were successful.

In December 2020, NILGOSC signed up to a project with the National Cyber Security Centre for Northern Ireland, to attain the Cyber Essentials Plus certification. 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. Certification involves a detailed self-assessment followed by independent verification testing and must be undertaken each year to remain certified. NILGOSC successfully completed the re-certification process in March 2024 and accredited for the fourth consecutive year with Cyber Essentials Plus on 22 March 2024.

NILGOSC also appoints an external expert to undertake independent penetration tests of its systems on an annual basis. This is in order to test the robustness of the IT infrastructure in place, including the firewall, to protect NILGOSC's systems from external attack. No significant issues were identified as a result of the tests undertaken in March 2024 and reaffirmed that the security posture in NILGOSC is mature and effective.

### 6.2 Fraud and Raising Concerns

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 2022/23 data matching exercise. Matches were received in January 2023 and investigated. One case of suspected fraud was identified through the exercise. NILGOSC continues to pursue recovery of this overpayment and an update in relation to the NFI exercise is provided in the Performance Report on page 25.

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 2023/24, no new cases of fraud were reported.

There was one issue raised through NILGOSC's Raising Concerns Policy during 2023/24. The matter was investigated and closed during quarter one of 2023/24.

### 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 the renewal 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.

A number of minor personal data incidents or potential breaches were identified in 2023/24. 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 2023/24 is provided in the Accountability Report on page 70.

## 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 2023/24 are set out below:

- Purchasing Policy
- Appointment of Members to Sub-Committees
- Anti-fraud Policy
- Raising Concerns Policy
- Management Committee Terms of Reference
- Audit and Risk Assurance Committee Terms of Reference
- Staffing Committee Terms of Reference
- Annual Equality Statement
- Disability Action Plan
- Annual Report of the Staffing Committee
- Selection and appointment of a Tax Adviser
- Performance Assessment of Investment Advisors
- Climate Related Disclosures Report
- Statement of Responsible Investment
- Climate Risk Policy
- Complaints Procedure
- TPR Administration Survey
- Pensions Administration Strategy

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 2023/24 are set out in its Annual Report, which is provided on pages 138 to 140 of this report.

The ARAC undertakes an annual review of its effectiveness. The review undertaken for 2023/24 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 2023/24 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
- 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
- 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.

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

### 7.4 Internal Audit

NILGOSC outsources its internal audit function to ASM to provide assurance on the effectiveness of the governance, risk management and control environment in the organisation. ASM works to an agreed audit plan, carried out in accordance with the Public Sector Internal Audit Standards. The work of Internal Audit concentrates on areas of key activities determined by analysis of the areas of greatest risk. Findings from work carried out during the year are presented to the ARAC and copies of all final reports are sent to Secretary 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 2024, 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 & Risk Assurance Committee, which is provided separately in this document on page 138. 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 2024.

NILGOSC reviews the effectiveness of the internal audit service provided by ASM through pre-agreed key performance indicators (KPIs). Progress against these KPIs is formally reviewed by management on an annual basis and reported to the Audit & Risk Assurance Committee, who were satisfied with ASM's performance in 2023/24.

### 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 2024.

The audit opinion for the year ended 31 March 2024 is included on pages 92 to 95.

### 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 2024 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 2023/24 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, actions have also been identified to remedy those risks, therefore they 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**

30 August 2024

# 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.

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 2023/24. The CPI increase for September 2023 was 6.7%. The in-service revaluation rate for CARE was also 6.7%.

The figures in the following table are based on 2022/23 guidance from the Department of Finance and notably exclude the 'McCloud Remedy' from the calculations for any eligible members. This interim approach was agreed by the Department for Communities on 1 May 2024.

### Senior Management Remuneration and Pension Entitlements (audited)

| | 2023/24 | | | | 2022/23 | | | |
|---|---|---|---|---|---|---|---|---|
| **Officers & Post** | **Salary £'000** | **Benefits in Kind £'000** | **Pension Benefits to nearest £1,000** | **Total £'000** | **Salary £'000** | **Benefits in Kind £'000** | **Pension Benefits to nearest £1,000** | **Total £'000** |
| David Murphy Chief Executive and Secretary | 100-105 | - | 26 | 125-130 | 95-100 | - | (41) | 55-60 |
| Nicola Todd Deputy Secretary | 85-90 | - | 28 | 115-120 | 85-90 | - | (15) | 70-75 |
| Zena Kee Head of Pensions Policy | 60-65 | - | 19 | 80-85 | 55-60 | - | (9) | 45-50 |
| Jenna Fisher Head of Pensions Service | 55-60 | - | 23 | 80-85 | 55-60 | - | 1 | 55-60 |
| Louise Hickland Head of Investment Services | 30-35 *(full year Equivalent 50-55)* | - | 25 | 55-60 | 50-55 | - | 9 | 60-65 |
| Denise McElrea Head of Governance & HR | 60-65 | - | 16 | 75-80 | - | - | - | - |
| Maria Bowers Head of Finance | 60-65 | - | 23 | 80-85 | 55-60 | - | 12 | 70-75 |
| Ryan McClenaghan Head of IT | 55-60 | - | 21 | 75-80 | 50-55 | - | 6 | 60-65 |

| | | |
|---|---|---|
| **Highest Paid Employee** | | |
| **Total Remuneration £** | £100,000 – £105,000 | £95,001 – £100,000 |
| **% Increase** | 3.88% | 1.99% |
| **Range of Staff** | | |
| **Total Remuneration £** | £23,500 – £105,000 | £21,500 - £100,000 |
| **Average % Increase** | 7.33% | 7.53% |

The Chair is the only Committee member in receipt of an emolument, which is a non-pensionable salary. The Chair's first term of office expired on 30 April 2023 and the Department for Communities indicated that it was its intention to re-appoint the Chair for a second term. On that basis, the Chair continued in a paid observer capacity with effect from 1 May 2023. On 24 January the Department advised that the Secretary of State had directed it to undertake an appointment exercise rather than make any reappointments.

| | 2023/24 | | 2022/23 | |
|---|---|---|---|---|
| Chair | Salary | Benefits in Kind | Salary | Benefits in Kind |
| | £ | £ | £ | £ |
| Lindsay Todd | 12,223 | - | 14,667 | - |

### 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.

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.

### Pay Ratios

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

The banded remuneration of the highest-paid employee in NILGOSC in the financial year 2023/24 was £100,001-£105,000 (2022/23 £95,001-£100,000). The relationship between the mid-point and upper and lower quartile of this band and the remuneration of the organisation's workforce is disclosed below.

| 2023/24 | 25th Percentile | Median | 75th Percentile |
|---|---|---|---|
| Total remuneration (£) | 26,873 | 30,296 | 36,773 |
| Pay Ratio | 3.81:1 | 3.38:1 | 2.79:1 |

| 2022/23 | 25th Percentile | Median | 75th Percentile |
|---|---|---|---|
| Total remuneration (£) | 24,948 | 27,852 | 34,723 |
| Pay Ratio | 3.91:1 | 3.50:1 | 2.81:1 |

The ratios for 2023/24 as compared to 2022/23 indicate a reduction in the ratio across the three quartile bands which would be expected as the NJC pay award settlement for 2023/24 was a flat increase of £1,925 for staff pay below the 75th percentile and then 3.88% for those paid over £45k resulting in the highest percentage increases being enjoyed by those on the lowest quartile.



## 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.

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:

| | 2023/24 | 2022/23 |
|---|---|---|
| Committee Members | £ | £ |
| Joan McCaffrey | 4,000 | 4,250 |
| Mark McBride* | 3,000 | 4,250 |
| Paul Francey | 2,250 | 2,750 |
| JJ Tohill | 3,000 | 4,500 |
| Michael Rafferty | 3,250 | 3,750 |
| Antoinette McMillen | 2,750 | 3,750 |
| Peter Moore | 3,250 | 4,000 |
| Shane McCurdy** | 2,750 | 6,250 |
| Alan Law | 2,000 | 4,250 |
| Kenneth Clayton | 3,250 | 4,250 |
| Derek McCallan | 3,500 | 3,750 |
| Heather McKinstry | 2,500 | 4,500 |

* Mark McBride attended meetings in an observer capacity between 1 May 2023 and 24 January 2024. Meeting attendance for Mark McBride ceased from 24 January 2024

** Shane McCurdy submitted prior year meeting allowance claims in 2022/23

## Pension Benefits (audited)

| Officers & post | Accrued Pension and Related Lump Sum at Age 65 as at 31/03/24 £,000 | Real Increase in Pension and Related Lump Sum at Age 65 to nearest £,000 | CETV at 31/03/24 £,000 | CETV at 31/03/23 £,000 | Real Increase in CETV £,000 |
|---|---|---|---|---|---|
| David Murphy Chief Executive and Secretary | 50-55 plus lump sum of 60-65 | 0-2.5 plus lump sum of (2.5) - 0 | 980 | 789 | 29 |
| Nicola Todd Deputy Secretary | 30-35 plus lump sum of 20-25 | 1-2.5 plus lump sum of (2.5) - 0 | 555 | 419 | 24 |
| Zena Kee Head of Pensions Policy | 20-25 plus lump sum of 15-20 | 1-1.5 plus lump sum of (1.0) - 0 | 462 | 411 | 20 |
| Jenna Fisher Head of Pensions Service | 15-20 plus lump sum of 15-20 | 1-1.5 plus lump sum of (1.0) - 0 | 298 | 259 | 16 |
| Louise Hickland Head of Investment Services | 5-10 plus lump sum of Nil | 1-1.5 plus lump sum of Nil | 107 | 85 | 14 |
| Denise McElrea Head of Governance & HR | 10-15 plus lump sum of 0-5 | 12.5-15 plus lump sum of 0-2.5 | 168 | - | 165 |
| Maria Bowers Head of Finance | 5-10 plus lump sum of Nil | 1-1.5 plus lump sum of Nil | 123 | 92 | 19 |
| Ryan McClenaghan Head of IT | 0-5 plus lump sum of Nil | 1-1.5 plus lump sum of Nil | 50 | 38 | 5 |



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 their 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 their 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. The real increase in CETV and pension benefits accrued can be negative, i.e. there can be a real decrease.

### 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). The figures in the previous table are based on 2022/23 guidance from the Department of Finance and notably exclude the 'McCloud Remedy' from the calculations for any eligible members. This interim approach was agreed by the Department for Communities on 1 May 2024. It is expected that the McCloud Remedy adjustment will be in place for 2024/25 reporting.

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 | 2023/24 Total | 2022/23 Total |
|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | £'000 |
| Wages and salaries | **2,886** | **120** | **3,006** | 2,748 |
| Social security costs | **268** | **9** | **277** | 265 |
| Other pension costs | **547** | **17** | **564** | 1,174 |
| **Total** | **3,701** | **146** | **3,847** | 4,187 |

**Average number of persons employed:**

| | Permanently employed staff | Others | 2023/24 Total | 2022/23 Total |
|---|---|---|---|---|
| Directly employed | **80** | **2** | **82** | 80 |
| **Total** | **80** | **2** | **82** | 80 |

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

The increase in the average number of whole-time equivalent persons employed during the year reflects some of the recruitment challenges earlier in the year. The rolling staff turnover reached a high of 30.4% at the end of December 2023 but by the end of March this had reduced to 25.4%, with a small number of vacant posts still to be filled as at the 31 March 2024. This is most noticeable in the apparent disparity between the average whole-time equivalent staff during 2023/24 captured in the preceding table as compared to the total whole-time equivalent staff complement as at 31 March 2024 in the table below (82 -v- 86). Ongoing recruitment challenges meant that a number of posts, including more senior positions remained vacant until the latter half of the accounting period.

NILGOSC provides pension arrangements for the benefit of its employees through the NILGOSC Scheme. The NILGOSC Scheme is known as the Local Government Pension Scheme (Northern Ireland) and is a funded defined benefit scheme. Benefits earned up to 31 March 2015 are linked to final salary. Benefits earned after 31 March 2015 are based on a Career Average Revalued Earnings Scheme. The employer pension costs are inflated by the actuarial charge estimated for current service costs for 2023/24: £8k (2022/23: £646k).

For 2023/24, employers' contributions were payable to the NILGOSC Scheme at 19.0% of pensionable pay. The Scheme's Actuary reviews employer contributions every three years following a full scheme valuation. The valuation as at 31 March 2022 set the contributions to be paid until 31 March 2026 at a rate of 19.0%.

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



## Staff Composition

An analysis of the composition of staff members as at 31 March 2024 and 31 March 2023 on a whole-time equivalent basis is provided in the following table:

| | Male | Female | 31/3/24 Total | Male | Female | 31/3/23 Total |
|---|---|---|---|---|---|---|
| Secretariat | **1** | **1** | **2** | 1 | 1 | 2 |
| Senior Managers | **1** | **5** | **6** | 1 | 4 | 5 |
| All Other Emplyees | **30** | **48** | **78** | 22 | 50 | 72 |
| **Total** | **32** | **54** | **86** | 24 | 55 | 79 |

## Sickness Absence

The average number of days lost to sickness absence by all staff in 2023/24 was 6.0 days (2022/23: 9.0 days).

## Staff Turnover

The staff turnover rate in NILGOSC during 2023/24 was 25.43% (2022/23: 28.74%).

This is the third year that staff turnover has remained above the target set out in the Corporate Plan which is to maintain staff turnover below 20%. The sustained high turnover is believed to be related to a disparity between NILGOSC pay grades and those of equivalent organisations, both private and public sector. Pay proposals were developed in 2022/23 to help address the disparity within local government however, NILGOSC received confirmation in 2023/24 that the Departmental pay remit had not been approved and therefore these proposals could not be implemented. NILGOSC intends to undertake a formal job evaluation exercise in 2024/25.

## 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.

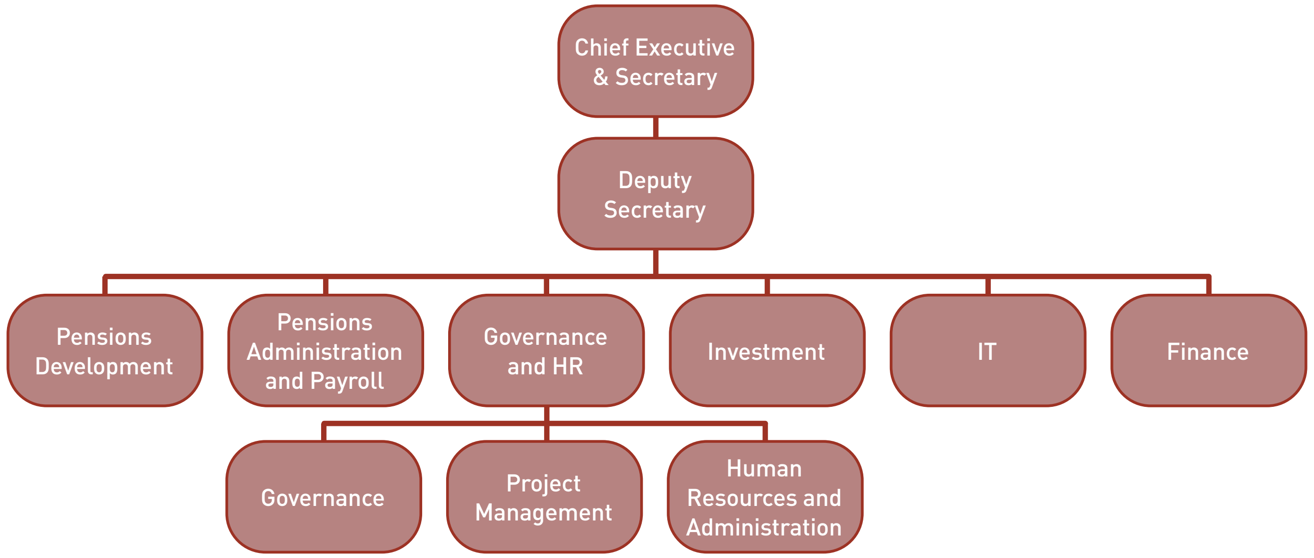
It is also NILGOSC's policy to make all reasonable adjustments to support the employment, training and development and retention of those with a disability. NILGOSC's commitment to the promotion of equality of opportunity and diversity within its workforce is reflected across all of its staff policies.

## Expenditure on consultancy

There was no expenditure on consultancy services during 2023/24 (2022/23: 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, approximately 85 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 2023/24 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.

Training and development expenditure in 2023/24 is aligned to budget and a number of specialised training programmes have been run following the introduction of amending regulations to address the McCloud age-related discrimination. More generally, expenditure increased in 2023/24 in absolute terms as training programmes returned to more in-person delivery vehicles with the level of engagement and participation returning to pre-pandemic levels.

To support its staff, NILGOSC also introduced a refreshed Staff Wellbeing programme in February 2024 with plans to roll-out a range of activities and self-help modules during 2024/25.

## 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 2023/24 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. A Staff Forum has also been established to enhance communications and to act as a conduit for suggestions 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 £18,388 (2022/23: £6,012) Overpayment write-offs exceeding £500 per case require approval from the Department for Communities. A non-death overpayment write-off of £8,820 was approved 24 October 2023. The balance of losses reflect the write-offs for pensioner overpayments as a result of death, which are not considered recoverable. A small number of cases exceeded the £500 threshold and further write-off approval was sought and received from the Department for Communities on 21 May 2024.

Bad debts written off during the year total £21,320 (2022/23: £859,110). These losses relate to irrecoverable investment property rental debt on a small number of investment properties.

Write-offs of losses and bad debts of this nature exceeding £5k per case require Department of Finance approval which was received on 23 May 2024.

#### 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 2023/24 (2022/23: 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 2024 (2022/23: no remote contingent liabilities).

**David Murphy**
**Chief Executive and Secretary**

30 August 2024

# Accountability Report

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

## 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" or "the Scheme") for the year ended 31 March 2024 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. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Scheme's affairs as at 31 March 2024 and of the net increase in the scheme during the year and of the amount and disposition at that date of its assets and liabilities other than liabilities to pay benefits after the Scheme year end; and
- have been properly prepared in accordance with Regulation 63 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014 and Department for Communities (DfC) directions issued thereunder.

### Opinion on regularity

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

### Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies 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 my certificate. My staff and I are independent of NILGOSC in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, 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 Scheme'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 Financial 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 Committee and the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

### Other Information

The other information comprises the information included in the Annual Report other than the financial statements, the parts of the Accountability Report described in that report as having been audited and my audit certificate and report. The 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 certificate, 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 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 made under 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 the Scheme during the year ended 31 March 2024 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 light of the knowledge and understanding of the Scheme and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and 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 Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

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

As explained more fully in the Statement of Accounting Officer Responsibilities, the 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;
- ensuring the annual report, which includes the Remunerations and Staff Report, is prepared in accordance with the applicable financial reporting framework;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud of error; and
- assessing the Scheme'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 the Scheme will not continue to be provided in the future.

### Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit on the financial statements in accordance with Regulation 63 of 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 regulations, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included regulation 63 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014 and Department for Communities (DfC) directions issued thereunder;
- making enquires of management and those charged with governance on the Scheme'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 the Scheme'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**
**Local Government Auditor**

Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU

11th September 2024

Financial Statements





# FUND ACCOUNT

## Year ended 31 March 2024

| | Note | 2023/24 £'000 | 2022/23 £'000 |
|---|---|---|---|
| **Contributions and benefits** | | | |
| Contributions receivable | 4 | **369,568** | 340,593 |
| Transfers in | | **11,334** | 7,902 |
| | | **380,902** | 348,495 |
| Benefits | 5 | **(350,064)** | (303,165) |
| Payments to and on account of leavers | 6 | **(6,306)** | (6,392) |
| Administration expenses | 7 | **(5,987)** | (6,247) |
| | | **(362,357)** | (315,804) |
| **Net additions from dealings with members** | | **18,545** | 32,691 |
| **Return on investments** | | | |
| Investment income | 8 | **192,666** | 153,311 |
| Change in market value of financial investments | 9 | **781,604** | (732,771) |
| Losses arising from changes in fair values of investment properties | 10 | **(30,881)** | (134,149) |
| Investment management expenses | 11 | **(28,805)** | (26,846) |
| **Net return on investments** | | **914,584** | (740,455) |
| **Net increase/(decrease) in the Scheme during the year** | | **933,129** | (707,764) |
| Remeasurement (losses)/gains on the retirement benefit obligation | 18 | **(1)** | 6,607 |
| | | **(1)** | 6,607 |
| **Opening net assets of the Scheme** | | **9,529,901** | 10,231,058 |
| **Closing net assets of the Scheme** | | **10,463,029** | 9,529,901 |

The notes on pages 100 to 133 form part of these financial statements.

# NET ASSETS STATEMENT

## As at 31 March 2024

| | Note | 2023/24 £'000 | 2022/23 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Financial assets | 9 | **9,836,594** | 8,879,603 |
| Investment properties | 10 | **591,995** | 619,405 |
| Intangible assets | 12 | **550** | 610 |
| Property, plant and equipment | 13 | **1,173** | 1,256 |
| Revaluation reserve | 14 | **-** | (7) |
| **Total non-current assets** | | **10,430,312** | 9,500,867 |
| **Current assets** | | | |
| Trade and other receivables | 15 | **52,831** | 49,119 |
| Cash and cash equivalents | 16 | **10,819** | 8,393 |
| **Total current assets** | | **63,650** | 57,512 |
| **Total assets** | | **10,493,962** | 9,558,379 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **(30,933)** | (28,478) |
| **Total current liabilities** | | **(30,933)** | (28,478) |
| **Non-current assets plus net current assets** | | **10,463,029** | 9,529,901 |
| **Non-current liabilities** | | | |
| Retirement benefit obligations | 18 | **-** | - |
| **Total non-current liabilities** | | **-** | - |
| **Total net assets of the Scheme** | | **10,463,029** | 9,529,901 |

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 134 to 135 and these financial statements should be read in conjunction with it.

The notes on pages 100 to 133 form part of these financial statements.

**David Murphy**
**Secretary**

30 August 2024



# STATEMENT OF CASH FLOWS

## For the Year Ended 31 March 2024

| | 2023/24 £'000 | | 2022/23 £'000 | |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| **Net increase/(decrease) in the Scheme during the year** | **933,129** | | (707,764) | |
| **Adjustments for non-cash transactions** | | | | |
| Change in market value of investments and (gains)/losses arising from changes in fair value of investment properties | **(750,723)** | | 866,920 | |
| Depreciation/amortisation | **244** | | 254 | |
| IAS 19 pension cost less contributions payable | **(1)** | | 796 | |
| Loss on revaluation of property, plant & equipment | **52** | | - | |
| **Adjustments for movements in working capital** | | | | |
| (Increase)/decrease in trade and other receivables | **(3,712)** | | 7,590 | |
| Increase in trade and other payables | **2,455** | | 1,739 | |
| **Net cash inflow from operating activities** | | **181,444** | | 169,535 |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant & equipment and intangible assets | **(160)** | | (703) | |
| Purchase of investment properties | **(40,432)** | | (4,685) | |
| Purchase of investment assets | **(21,555,161)** | | (18,218,484) | |
| Proceeds of disposal of investment properties | **36,961** | | 43,431 | |
| Proceeds of disposal of investment assets | **21,379,774** | | 18,003,381 | |
| **Net cash outflow from investing activities** | | **(179,018)** | | (177,060) |
| **Net increase/(decrease) in cash and cash equivalents** | | **2,426** | | (7,525) |
| **Cash and cash equivalents at the beginning of the year** | | **8,393** | | 15,918 |
| **Cash and cash equivalents at the end of the year** | | **10,819** | | 8,393 |

The notes on pages 100 to 133 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Year Ended 31 March 2024

### 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 2023/24 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 98, 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. Benefits paid are reported gross of any tax settled by the Scheme on behalf of the member.

#### 2.4. Transfers to and from other schemes

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

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

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

#### 2.5. Administration and other expenses

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

#### 2.6. Investment income

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

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

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 2023/24.

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 Assets Statement on a fair value basis at the reporting date.

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

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

c) The valuation of unquoted private equity and private debt investments is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. Fund Manager valuations are developed in accordance with generally accepted guidelines.

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.

**2.10. Valuation of financial assets (continued)**

- 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 (CBRE Limited), 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. Leases**

IFRS 16 'Leases' standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, replacing IAS 17 and related IFRIC and SIC Interpretations. NILGOSC has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short term leases, on the basis of lease materiality. NILGOSC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**2.16. Financial instruments**

(i) Recognition and initial measurement

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

(ii) Classification

Financial assets

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

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

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

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

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

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

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

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

**2.16 Financial instruments (continued)**

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** | Subsequently measured at fair value, net gains and losses including any interest or dividend income and expense and foreign exchange gains and losses, are recognised in profit or loss. These instruments include:<br>*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:<br>*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:<br>*Trade and other payables* |

(iv) Fair value measurement

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

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

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

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

(v) Amortised cost measurement

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

(vi) Impairment

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

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

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

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

(vii) Derecognition

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

**2.16 Financial instruments (continued)**

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.

**2.17. 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.

**2.18. 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 assets statement represents NILGOSC's share of the actuarial liability attributable to NILGOSC in its capacity as a participating employer to the overall scheme.

When the calculation results in a benefit to NILGOSC, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the Scheme or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

**2.19. 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 132 and the Actuarial Statement on pages 134 to 135. 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.

**2.20. 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.

Management has considered all information currently available and concluded that the valuations provided by third party experts as at 31 March 2024 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.

*Unquoted Private Equity and Infrastructure Investments*

Determining the fair value of unquoted private equity, private debt and infrastructure investments is subjective in nature. Fair value for these unquoted assets 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.

Similarly, 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.

**2.20. Use of estimates and judgements (continued)**

*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.

*Investment Management Performance Fees*

Investment management performance fees are calculated based on observed performance to the year-end date. The actual performance fee will depend on the outturn for the performance year (which is not always coterminous with the Scheme year-end) and as such may differ from estimated amounts.

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

The International Accounting Standards Board has issued advice of pending new standards and amendments to existing standards applicable from the 2024/25 accounting period. HM Treasury have reviewed to ensure that any relevant public sector adaptations or interpretations are adequately reflected in the financial reporting guidance.

IFRS 17 (Insurance Contracts) will replace IFRS 4 (Insurance Contracts) and is effective for accounting periods beginning on or after 1 January 2023.

In line with the requirements of the FReM, IFRS 17 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2025. NILGOSC does not fall within scope of this new standard.

IFRS 18 (Presentation and Disclosure in Financial Statements) was issued in April 2024, replacing IAS 1 (Presentation of Financial Statements), and is effective for accounting periods beginning on or after 1 January 2027. IFRS 18 will be implemented, as interpreted and adapted for the public sector if required, from a future date (not before 2027-28) that will be determined by the UK Financial Reporting Advisory Board in conjunction with HM Treasury following analysis of this new standard.

Further proposed amendments to existing standards are not expected to have an impact on the preparation and presentation of the financial statements in future accounting periods.

**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 97 and the Net Assets Statement on page 98.

### 4. Contributions Receivable

| | **2023/24 £'000** | 2022/23 £'000 |
|---|---|---|
| **Employers** | | |
| normal | **275,249** | 255,609 |
| deficit recovery | **1,975** | 2,671 |
| early retirement funding * | **3,703** | 1,845 |
| special contributions ** | **-** | 1,519 |
| employers' surplus on exit | **-** | (1,801) |
| **Employees** | | |
| normal | **88,641** | 80,750 |
| | **369,568** | 340,593 |

* 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.

### 5. Benefits

| | **2023/24 £'000** | 2022/23 £'000 |
|---|---|---|
| Pensions * | **262,919** | 232,220 |
| Commutations and lump sum retirement benefits | **77,926** | 61,374 |
| Lump sum death benefits | **9,219** | 9,571 |
| | **350,064** | 303,165 |

* In addition, £4,054k of compensation pensions were paid on an agency basis and recharged to employing authorities (2022/23: £3,882k). 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

| | **2023/24 £'000** | 2022/23 £'000 |
|---|---|---|
| Refund to members leaving service | **1,532** | 1,152 |
| Payment for members joining state scheme | **-** | (2) |
| Transfers to other schemes | **4,774** | 5,242 |
| | **6,306** | 6,392 |

### 7. Administration expenses

| | **2023/24 £'000** | 2022/23 £'000 |
|---|---|---|
| Staff costs | **3,847** | 4,187 |
| Office overheads | **1,018** | 897 |
| Depreciation and amortisation (notes 12 & 13) | **244** | 254 |
| Communication | **216** | 165 |
| Other administration | **210** | 194 |
| Templeton House revaluation (note 14) | **52** | - |
| Actuarial fees | **43** | 108 |
| Internal audit fees | **36** | 27 |
| External audit fees | **42** | 36 |
| Legal and other professional fees | **164** | 140 |
| Medical fees | **127** | 89 |
| IAS19 net interest cost (note 18) | **(12)** | 150 |
| | **5,987** | 6,247 |

## 8. Investment income

| | 2023/24 £'000 | 2022/23 £'000 |
|---|---|---|
| Interest income from fixed income securities | **108,798** | 83,134 |
| Dividends from equities | **19,092** | 17,168 |
| Index linked securities | **1,198** | 1,625 |
| Derivatives * | **(8,391)** | (7,753) |
| Pooled investment vehicles | **12,598** | 10,895 |
| Infrastructure/private equity investment distributions | **4,820** | 4,008 |
| Net rents from properties | **33,842** | 34,480 |
| Interest on cash deposits | **21,037** | 9,579 |
| Stock lending income | **511** | 957 |
| Other income | **10** | 1 |
| | **193,515** | 154,094 |
| Irrecoverable withholding tax | **(849)** | (783) |
| Total Investment Income | **192,666** | 153,311 |

* 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 2024. 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 2024, there were securities amounting to £160,233k on loan against collateral of £169,956k (2022/23: securities amounting to £282,769k were on loan against collateral of £297,132k).

## 9. Financial assets

### Movement in investments and derivatives

| | Value at 01 04 2023 | Purchases at cost | Sales proceeds | Reclass'n on Transition | Change in market value | Value at 31 03 2024 |
|---|---|---|---|---|---|---|
| | £' 000 | £' 000 | £' 000 | £' 000 | £' 000 | £' 000 |
| Fixed income securities | 2,017,030 | 17,634,351 | (17,504,241) | - | 32,716 | **2,179,856** |
| Equities | 1,208,207 | 1,031,813 | (1,020,676) | 515,705 | 178,190 | **1,913,239** |
| Index-linked securities | 330,273 | 726,851 | (860,556) | - | (3,938) | **192,630** |
| Pooled investment vehicles | 4,357,259 | 1,445,030 | (1,408,051) | (515,705) | 547,924 | **4,426,457** |
| Derivative contracts | 29,478 | 518,276 | (561,516) | - | 17,570 | **3,808** |
| Infrastructure/Private Equity | 537,607 | 76,283 | (24,734) | - | 27,628 | **616,784** |
| | 8,479,854 | 21,432,604 | (21,379,774) | - | 800,090 | **9,332,774** |
| Other investment balances: | | | | | | |
| Cash and Cash Equivalents | 369,310 | 116,145* | - | - | (18,486) | **466,969** |
| Investment income due | 30,439 | 6,412* | - | - | - | **36,851** |
| **Net financial assets** | **8,879,603** | **21,555,161** | **(21,379,774)** | **-** | **781,604** | **9,836,594** |

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

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

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

In March 2024, a new global equities mandate was funded through an in specie transfer of underlying assets from the Legal and General passive funds (classified under Pooled investment vehicles) and reflected in the Reclassification on Transition column in the preceding table.

The temporary allocation to cash in February 2024 of £600m resulted from disinvestment from a range of passive equities and investment into the Legal and General Sterling Liquidity Fund, all classified under Pooled investment vehicles in the preceding table.

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 £18.5m 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 2024 include £51.0m ringfenced as collateral in relation to derivative contracts (31 March 2023: £36.6m).

## 9. Financial assets (continued)

### Financial assets and liabilities

| | 2023/24 £'000 | 2022/23 £'000 |
|---|---|---|
| **Financial assets at fair value through profit or loss** | | |
| Fixed income securities | **2,179,856** | 2,017,030 |
| Equities | **1,913,239** | 1,208,207 |
| Index linked securities | **192,630** | 330,273 |
| Pooled investment vehicles | **4,426,457** | 4,357,259 |
| Derivative contracts: | | |
| Futures | **1,687** | 8,725 |
| Swap contracts | **23,820** | 60,989 |
| Options | **6,024** | 4,583 |
| Forward currency contracts | **18,722** | 55,163 |
| Private equity/infrastructure | **616,784** | 537,607 |
| Cash deposits | **466,969** | 369,310 |
| Investment income due | **36,851** | 30,439 |
| **Total financial assets** | **9,883,039** | 8,979,585 |
| | | |
| **Financial liabilities at fair value through profit or loss** | | |
| Derivative contracts: | | |
| Futures | **(3,759)** | (18,064) |
| Swap contracts | **(22,543)** | (49,205) |
| Options | **(3,549)** | (3,694) |
| Forward currency contracts | **(16,594)** | (29,019) |
| **Total financial liabilities** | **(46,445)** | (99,982) |
| **Net financial assets** | **9,836,594** | 8,879,603 |



## 9. Financial assets (continued)

### Analysis of financial assets

| | 2023/24 £'000 | 2022/23 £'000 |
|---|---|---|
| **Fixed income securities** | | |
| UK public sector | **106,530** | 199,247 |
| UK corporate | **133,775** | 92,067 |
| Overseas public sector | **704,858** | 689,807 |
| Overseas corporate | **1,234,693** | 1,035,909 |
| | **2,179,856** | 2,017,030 |
| **Equities** | | |
| UK quoted | **26,176** | - |
| Overseas quoted | **1,887,063** | 1,208,207 |
| | **1,913,239** | 1,208,207 |
| **Index-linked securities** | | |
| UK | **44,628** | 179,742 |
| Overseas | **148,002** | 150,531 |
| | **192,630** | 330,273 |
| **Pooled investment vehicles** | | |
| Residential Property Fund | **108,167** | 109,596 |
| Global Property Fund | **248,197** | 243,402 |
| Unit trusts | **4,061,661** | 3,996,355 |
| Other | **8,432** | 7,906 |
| | **4,426,457** | 4,357,259 |
| **Derivative contracts** | | |
| Futures | **(2,072)** | (9,339) |
| Swap contracts | **1,277** | 11,784 |
| Options | **2,475** | 889 |
| Forward foreign exchange contracts | **2,128** | 26,144 |
| | **3,808** | 29,478 |
| **Infrastructure/Private Equity** | | |
| Global Infrastructure | **616,784** | 537,607 |
| | **616,784** | 537,607 |

**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 2024, totalling £51.0m, is included within investment cash deposits (31 March 2023: £36.6m).



## 9. Financial assets (continued)

### The market value of derivative contracts is analysed below:

### (i) Futures

| Type of contract | 2023/24 Exposure | Market Value (Asset) 31 March 2024 | Market Value (Liability) 31 March 2024 | Market Value (Net) 31 March 2024 | 2022/23 Exposure | Market Value (Asset) 31 March 2023 | Market Value (Liability) 31 March 2023 | Market Value (Net) 31 March 2023 |
|---|---|---|---|---|---|---|---|---|
| (Expiration - Under one year) | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Overseas Equity Futures | (3,966) | - | (77) | (77) | - | - | - | - |
| UK Fixed Income Futures | 3,098 | 27 | (5) | 22 | (120,196) | - | (3,349) | (3,349) |
| Overseas Fixed Income Futures | 304,934 | 1,355 | (3,677) | (2,322) | (789,001) | 8,271 | (14,692) | (6,421) |
| UK Commodity Futures | - | - | - | - | (1,542) | - | (23) | (23) |
| Overseas Cash Futures | (200,679) | 305 | - | 305 | (499,224) | 454 | - | 454 |
| **Total** | | 1,687 | (3,759) | (2,072) | | 8,725 | (18,064) | (9,339) |

### (ii) Swap contracts

| Expiration | Notional Principal | Market Value (Asset) 31 March 2024 | Market Value (Liability) 31 March 2024 | Market Value (Net) 31 March 2024 | Notional Principal | Market Value (Asset) 31 March 2023 | Market Value (Liability) 31 March 2023 | Market Value (Net) 31 March 2023 |
|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Up to 1 year | 60,813 | 404 | (1,323) | (919) | 20,264 | 846 | (449) | 397 |
| 1 to 5 years | 350,989 | 14,191 | (12,489) | 1,702 | 904,072 | 18,411 | (16,982) | 1,429 |
| 5 to 10 years | 251,151 | 4,416 | (3,095) | 1,321 | 175,971 | 18,202 | (22,057) | (3,855) |
| 10 to 15 years | 10,516 | 209 | - | 209 | 13,338 | 161 | - | 161 |
| 15 to 20 years | - | - | - | - | 41,440 | - | (5,581) | (5,581) |
| Over 20 years | 60,050 | 4,600 | (5,636) | (1,036) | 119,557 | 23,369 | (4,136) | 19,233 |
| **Total** | | 23,820 | (22,543) | 1,277 | | 60,989 | (49,205) | 11,784 |

| Nature of Swap | Notional Principal | Market Value (Asset) 31 March 2024 | Market Value (Liability) 31 March 2024 | Market Value (Net) 31 March 2024 | Notional Principal | Market Value (Asset) 31 March 2023 | Market Value (Liability) 31 March 2023 | Market Value (Net) 31 March 2023 |
|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Interest rate swaps | 601,766 | 9,136 | (10,898) | (1,762) | 983,415 | 37,820 | (15,542) | 22,278 |
| Credit default swaps | (128,219) | 13,668 | (10,575) | 3,093 | (223,215) | 9,922 | (11,707) | (1,785) |
| Inflation swaps | 225,077 | 637 | (751) | (114) | 487,410 | 12,505 | (21,699) | (9,194) |
| Other swaps | - | - | - | - | 27,032 | 742 | (257) | 485 |
| Total return swaps | 34,895 | 379 | (319) | 60 | - | - | - | - |
| **Total** | | 23,820 | (22,543) | 1,277 | | 60,989 | (49,205) | 11,784 |

### (iii) Options

| Investment underlying option contract | Market Value (Asset) 31 March 2024 | Market Value (Liability) 31 March 2024 | Market Value (Net) 31 March 2024 | Market Value (Asset) 31 March 2023 | Market Value (Liability) 31 March 2023 | Market Value (Net) 31 March 2023 |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Overseas equity | 4,606 | (2,866) | 1,740 | 1,205 | (1,978) | (773) |
| Overseas fixed interest | 78 | (668) | (590) | 1,164 | - | 1,164 |
| Overseas cash | 756 | (15) | 741 | 457 | (861) | (404) |
| Swaptions | 584 | - | 584 | 1,757 | (855) | 902 |
| **Total** | 6,024 | (3,549) | 2,475 | 4,583 | (3,694) | 889 |

| Type of contract | Market Value (Asset) 31 March 2024 | Market Value (Liability) 31 March 2024 | Market Value (Net) 31 March 2024 | Market Value (Asset) 31 March 2023 | Market Value (Liability) 31 March 2023 | Market Value (Net) 31 March 2023 |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Call options | 1,241 | (15) | 1,226 | 4 | (1,126) | (1,122) |
| Put options | 4,783 | (3,534) | 1,249 | 4,579 | (2,568) | 2,011 |
| **Total** | 6,024 | (3,549) | 2,475 | 4,583 | (3,694) | 889 |

## 9. Financial assets (continued)

**(iv) Open forward currency contracts at 31 March 2024**

| Number of contracts | Currency Bought | Local Value '000 | Currency Sold | Local Value '000 | Asset Value £'000 | Liability Value £'000 | Net Value £'000 |
|---|---|---|---|---|---|---|---|
| 26 | EUR | 94,503 | GBP | (80,999) | 4 | (170) | **(166)** |
| 11 | EUR | 14,024 | OTHER | (2,515,316) | 134 | (21) | **113** |
| 12 | EUR | 189,544 | USD | (205,180) | 5 | (342) | **(337)** |
| 59 | GBP | 320,398 | EUR | (371,803) | 2,374 | (11) | **2,363** |
| 7 | GBP | 70,261 | JPY | (12,687,912) | 3,786 | - | **3,786** |
| 57 | GBP | 140,570 | OTHER | (95,973,852) | 1,699 | (1,134) | **565** |
| 130 | GBP | 2,321,047 | USD | (2,941,604) | 1,164 | (8,395) | **(7,231)** |
| 3 | JPY | 1,442,950 | GBP | (7,823) | - | (259) | **(259)** |
| 7 | JPY | 1,690,202 | USD | (11,529) | - | (263) | **(263)** |
| 21 | OTHER | 2,661,490 | EUR | (15,254) | 107 | (16) | **91** |
| 47 | OTHER | 46,821,855 | GBP | (134,247) | 533 | (1,510) | **(977)** |
| 65 | OTHER | 315,094,169 | USD | (286,368) | 2,515 | (2,291) | **224** |
| 12 | USD | 428,867 | EUR | (395,433) | 1,135 | - | **1,135** |
| 52 | USD | 644,003 | GBP | (509,109) | 752 | (70) | **682** |
| 3 | USD | 10,035 | JPY | (1,470,289) | 236 | - | **236** |
| 91 | USD | 519,938 | OTHER | (457,935,216) | 4,278 | (2,112) | **2,166** |
| **Total** | | | | | **18,722** | **(16,594)** | **2,128** |

**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 following table.

| Security | Market Value 31 March 2024 £'000 | % of Net Assets | Market Value 31 March 2023 £'000 | % of Net Assets |
|---|---|---|---|---|
| Legal & General – Over 5y Index-Linked Gilts | 953,694 | 9.11% | 1,023,588 | 10.74% |
| Legal & General - Low Carbon Transition Developed Markets Equity Index Fund | 1,163,635 | 11.12% | 1,414,350 | 14.84% |
| Legal & General - Low Carbon Transition Developed Markets Equity Index Fund - GBP Hedged | 1,045,797 | 10.00% | 1,283,379 | 13.47% |
| Legal & General - Sterling Liquidity Fund * | 859,091 | 8.21% | 231,279 | 2.43% |

* The uplift in assets in the Sterling Liquidity Fund as at 31 March 2024 is directly related to the temporary strategic allocation to cash

**9. Financial assets (continued)**



**Employer-Related Investments**

The Scheme had no employer-related investments as at 31 March 2024 or 31 March 2023.

**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 during the year.

| | | | **2023/24** | | | 2022/23 |
|---|---|---|---|---|---|---|
| | **Utmost Life** | **Prudential** | **Total** | Utmost Life | Prudential | Total |
| | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 |
| **Value at start of year** | **179** | **29,090** | **29,269** | 195 | 29,236 | 29,431 |
| **Contributions invested** | **-** | **7,027** | **7,027** | - | 5,959 | 5,959 |
| **Sales of investments** | **(41)** | **(6,035)** | **(6,076)** | (5) | (5,634) | (5,639) |
| **Change in market value** | **11** | **2,600** | **2,611** | (11) | (471) | (482) |
| **Value at end of year** | **149** | **32,682** | **32,831** | 179 | 29,090 | 29,269 |

## 10. Investment property

| | 2023/24 £'000 | 2022/23 £'000 |
|---|---|---|
| **Fair Value** | | |
| At start of year | **619,405** | 792,300 |
| Additions | **40,432** | 4,685 |
| Sales | **(36,961)** | (43,431) |
| Losses arising from changes in fair values | **(30,881)** | (134,149) |
| At end of year | **591,995** | 619,405 |

The investment properties were valued as at 31 March 2024 by qualified professional valuers working for CBRE Limited, 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.

Management has considered all information currently available, and concluded that the valuations provided by third party experts as at 31 March 2024 are appropriate for financial statement purposes.

NILGOSC received net rental income of £33.8m (2022/23: £34.5m) 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:

| | 2023/24 £'000 | 2022/23 £'000 |
|---|---|---|
| Not later than one year | **34,050** | 32,920 |
| Later than one year and not later than five years | **106,692** | 106,278 |
| Later than five years | **142,912** | 162,067 |
| | **283,654** | 301,265 |

## 11. Investment management expenses

| | 2023/24 £'000 | 2022/23 £'000 |
|---|---|---|
| Administration, management and custody | **26,115** | 25,014 |
| Performance measurement services | **47** | 42 |
| Other advisory fees | **466** | 622 |
| Transaction costs and trading expenses | **2,177** | 1,168 |
| | **28,805** | 26,846 |

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 2023/24 (2022/23: nil).

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. This also includes foreign exchange losses on the funding of global property and infrastructure investments of £71k (2022/23: £16k).

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 2023 | **1,529** |
| Additions | **87** |
| Disposals | **(14)** |
| **At 31 March 2024** | **1,602** |
| **Amortisation** | |
| At 1 April 2023 | **919** |
| Charge for the year | **147** |
| Amortisation on disposals | **(14)** |
| **At 31 March 2024** | **1,052** |
| **Net book value** | |
| At 31 March 2023 | **610** |
| **At 31 March 2024** | **550** |

| | Computer software £'000 |
|---|---|
| **Cost** | |
| At 1 April 2022 | **945** |
| Additions | **584** |
| Disposals | **-** |
| **At 31 March 2023** | **1,529** |
| **Amortisation** | |
| At 1 April 2022 | **763** |
| Charge for the year | **156** |
| Amortisation on disposals | **-** |
| **At 31 March 2023** | **919** |
| **Net book value** | |
| At 31 March 2022 | **182** |
| **At 31 March 2023** | **610** |

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 2023 | 1,175 | 498 | **1,673** |
| Revaluation | (100) | - | **(100)** |
| Additions | 2 | 71 | **73** |
| Disposals | (2) | (85) | **(87)** |
| **At 31 March 2024** | **1,075** | **484** | **1,559** |
| **Depreciation** | | | |
| At 1 April 2023 | - | 417 | **417** |
| Charge for the year | 43 | 54 | **97** |
| Revaluation Adjustment | (43) | - | **(43)** |
| Depreciation on disposals | - | (85) | **(85)** |
| **At 31 March 2024** | **-** | **386** | **386** |
| **Net book value** | | | |
| At 31 March 2023 | 1,175 | 81 | **1,256** |
| **At 31 March 2024** | **1,075** | **98** | **1,173** |

| | Property £'000 | Fixtures, Fittings & Equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2022 | 1,300 | 427 | **1,727** |
| Revaluation | (125) | - | **(125)** |
| Additions | 25 | 94 | **119** |
| Disposals | (25) | (23) | **(48)** |
| **At 31 March 2023** | **1,175** | **498** | **1,673** |
| **Depreciation** | | | |
| At 1 April 2022 | - | 389 | **389** |
| Charge for the year | 47 | 51 | **98** |
| Revaluation Adjustment | (47) | - | **(47)** |
| Depreciation on disposals | - | (23) | **(23)** |
| **At 31 March 2023** | **-** | **417** | **417** |
| **Net book value** | | | |
| At 31 March 2022 | 1,300 | 38 | **1,338** |
| **At 31 March 2023** | **1,175** | **81** | **1,256** |

### 13. Property, plant and equipment (continued)

The property was valued as at 31 March 2024 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

| | **2023/24 £'000** | **2022/23 £'000** |
|---|---|---|
| At 1 April 2023 | **(7)** | (110) |
| Revaluation during the year | **5** | 78 |
| Refurbishment disposal | **2** | 25 |
| At 31 March 2024 | **-** | (7) |

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 2023/24 there is a loss arising from the revaluation of Templeton House as at 31 March 2024 which is included in Administration expenses (note 7).

### 15. Trade and other receivables

| | **2023/24 £'000** | 2022/23 £'000 |
|---|---|---|
| Receivables and other current assets * | **19,992** | 18,710 |
| VAT and other receivables | **1** | - |
| Less: Provision for impairment of receivables | **(702)** | (355) |
| Receivables and other current assets-net | **19,291** | 18,355 |
| Pension contributions due ** | **27,237** | 23,817 |
| Prepayments and accrued income | **6,303** | 6,947 |
| | **52,831** | 49,119 |

* Receivables and other current assets include rental debt.

** All contributions due to the Scheme relate to the month of March 2024 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.

| | **2023/24 £'000** | 2022/23 £'000 |
|---|---|---|
| At 1 April | **8,393** | 15,918 |
| Net change in cash balances | **2,426** | (7,525) |
| | **10,819** | 8,393 |
| The following balances at 31 March were held at: | | |
| Commercial banks and cash in hand | **10,819** | 8,393 |
| | **10,819** | 8,393 |

### 17. Trade and other payables

| | **2023/24 £'000** | 2022/23 £'000 |
|---|---|---|
| Trade payables and other current liabilities | **54** | 1,809 |
| Unpaid benefits | **11,908** | 9,547 |
| Social security and other taxes | **4,422** | 3,232 |
| Accruals and deferred income | **14,549** | 13,890 |
| | **30,933** | 28,478 |

### 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 2022 however the contributions to be paid until 31 March 2026 are those set out in the Fund's Rates and Adjustment Certificate within the report on the Actuarial Valuation as at 31 March 2022.

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

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

### 18. Retirement benefit obligations (continued)

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 2024 NILGOSC, in its capacity as a participating employer, had 89 active members (2022/23: 80), 78 deferred members (2022/23: 78) and 32 pensioners (2022/23: 26) in the scheme.

#### Net defined benefit liability

| | **2023/24 £'000** | 2022/23 £'000 |
|---|---|---|
| Fair value of assets | **18,287** | 16,163 |
| Present value of funded defined benefit obligation | **(16,288)** | (15,845) |
| Effect of net asset ceiling | **(1,999)** | (318) |
| Net defined benefit liability | **-** | - |

This surplus is restricted to nil based on the asset ceiling determination proscribed in IAS 19 employee benefit standard. In consideration of any benefit that can be recognised, the Scheme's actuary has calculated the economic benefit from a reduction in future contributions i.e. the difference between the future value of expected current service costs less the future value of employer contributions that are required to be paid to the Fund. Applying these estimates the actuary has concluded the recognisable surplus to be £nil.

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

| | |
|---|---|
| Active members | **50%** |
| Deferred pensioners | **21%** |
| Pensioners | **29%** |

The estimated duration of the Fund's liabilities is 20.7 years.

#### Financial assumptions

A full actuarial valuation of the NILGOSC defined benefit scheme was carried out as at 31 March 2022. 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 2024. The financial assumptions adopted are 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 financial assumptions utilised for the IAS 26 actuarial present value of promised retirement benefits disclosed in Note 20.

| | **2023/24 %** | 2022/23 % |
|---|---|---|
| Rate of increases in salaries | **4.1** | 4.1 |
| Discount rate | **4.8** | 4.6 |
| Inflation (CPI) / Pension increase rate | **2.6** | 2.6 |

The discount rate has increased by 0.2%, while there is no change to the CPI inflation assumption nor the salary increase assumption from the closing assumptions in 2023.

This movement in the discount rate has resulted in a more 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 2022 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:

| | **2023/24 Years** | 2022/23 Years |
|---|---|---|
| **Retiring today:** | | |
| Males | **21.7** | 22.2 |
| Females | **24.6** | 25.0 |
| **Retiring in 20 years:** | | |
| Males | **22.7** | 23.2 |
| Females | **25.6** | 26.0 |

The next funding valuation of the Scheme is due to be carried out as at 31 March 2025.

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

| | **2023/24 %** | 2022/23 % |
|---|---|---|
| Equities | **43.7** | 40.0 |
| Bonds | **21.6** | 23.6 |
| Multi Asset Credit | **13.3** | 13.3 |
| Property | **9.7** | 11.2 |
| Cash | **5.6** | 6.5 |
| Other | **6.1** | 5.4 |

## 18. Retirement benefit obligations (continued)

### Analysis of amounts recognised in the Fund Account

| | **2023/24** | 2022/23 |
|---|---|---|
| | **£'000** | £'000 |
| **Operating cost** | | |
| Current service cost | **554** | 1,157 |
| Total | **554** | 1,157 |
| **Finance cost** | | |
| Interest on net defined benefit liability | **(12)** | 150 |
| Total | **(12)** | 150 |

| | **2023/24** | 2022/23 |
|---|---|---|
| | **£'000** | £'000 |
| **Remeasurement gains and losses** | | |
| Return on plan assets (in excess of)/ below that recognised in net interest | **(959)** | 2,307 |
| Actuarial (gains) due to change in financial assumptions | **(688)** | (10,107) |
| Actuarial (gains)/losses due to changes in demographic assumptions | **(239)** | 82 |
| Actuarial losses due to liability experience | **221** | 793 |
| Unrecognised asset – Effect of net asset ceiling | **1,666** | 318 |
| Net losses/(gains) | **1** | (6,607) |

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

| | **2023/24** | 2022/23 |
|---|---|---|
| | **£'000** | £'000 |
| Fair value of scheme assets at start of year | **16,163** | 17,588 |
| Interest income on assets | **753** | 480 |
| Contributions by members | **191** | 176 |
| Contributions by the employer | **543** | 511 |
| Benefits paid | **(322)** | (285) |
| Re-measurement gains/(losses) on assets | **959** | (2,307) |
| Fair value of scheme assets at end of year | **18,287** | 16,163 |



## 18. Retirement benefit obligations (continued)

### The actual return on assets is as follows:

| | **2023/24** | 2022/23 |
|---|---|---|
| | **£'000** | £'000 |
| Interest income on assets | **753** | 480 |
| Re-measurement gains/(losses) on assets | **959** | (2,307) |
| Actual return on assets | **1,712** | (1,827) |

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

| | **2023/24** | 2022/23 |
|---|---|---|
| | **£'000** | £'000 |
| Present value of obligations at start of year | **15,845** | 23,399 |
| Current service cost | **554** | 1,157 |
| Interest cost | **726** | 630 |
| Contributions by members | **191** | 176 |
| Benefits paid | **(322)** | (285) |
| Actuarial (gains) on liabilities – change in financial assumptions | **(688)** | (10,107) |
| Actuarial (gains)/losses on liabilities – change in demographic assumptions | **(239)** | 82 |
| Actuarial losses on liabilities – experience adjustment | **221** | 793 |
| Present value of defined benefit obligation at end of year | **16,288** | 15,845 |

## 18. Retirement benefit obligations (continued)

### Sensitivity analysis

A sensitivity analysis for each significant actuarial assumption is provided below. The following tables summarise the approximate impact of changing the assumption noted on the present value of the funded defined benefit obligation as at 31 March 2024 and 31 March 2023. In each case only the assumption stated is altered; all other assumptions remain the same.

### Discount rate assumption

| | 2023/24 | | 2022/23 | |
|---|---|---|---|---|
| **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) | **15,962** | **16,630** | 15,512 | 16,178 |
| % change in present value of total obligation | **-2.0%** | **2.1%** | -2.1% | 2.1% |
| Projected service cost (£000's) | **499** | **546** | 504 | 551 |
| Approximate % change in projected service cost | **-4.5%** | **4.6%** | -4.4% | 4.5% |

### Rate of general increase in salaries

| | 2023/24 | | 2022/23 | |
|---|---|---|---|---|
| **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) | **16,337** | **16,239** | 15,893 | 15,797 |
| % change in present value of total obligation | **0.3%** | **-0.3%** | 0.3% | -0.3% |
| Projected service cost (£000's) | **522** | **522** | 527 | 527 |
| Approximate % change in projected service cost | **0.0%** | **0.0%** | 0.0% | 0.0% |



## 18. Retirement benefit obligations (continued)

### Rate of increase to pensions and rate of revaluation of pension accounts

| | 2023/24 | | 2022/23 | |
|---|---|---|---|---|
| **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) | **16,581** | **16,011** | 16,130 | 15,560 |
| % change in present value of total obligation | **1.8%** | **-1.7%** | 1.8% | -1.8% |
| Projected service cost (£000's) | **546** | **499** | 551 | 504 |
| Approximate % change in projected service cost | **4.6%** | **-4.5%** | 4.5% | -4.4% |

### Post retirement mortality assumption

| | 2023/24 | | 2022/23 | |
|---|---|---|---|---|
| **Adjustment to mortality age rating assumption** | **-1 year** | **+ 1 year** | -1 year | + 1 year |
| Present value of total obligation (£000's) | **16,711** | **15,865** | 16,276 | 15,417 |
| % change in present value of total obligation | **2.6%** | **-2.6%** | 2.7% | -2.7% |
| Projected service cost (£000's) | **541** | **503** | 546 | 508 |
| Approximate % change in projected service cost | **3.7%** | **-3.7%** | 3.6% | -3.6% |

### 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 2025 is £508k.



### 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.<br><br>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 fair value or future cash flows 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. Credit risk arising from stock lending activities is managed by restricting the amount of overall stock that may be lent, only lending to approved borrowers who are monitored and evaluated on an ongoing basis, and putting in place collateral arrangements in excess of the market value of the borrowed securities. Details of stock on loan and collateral as at 31 March 2024 is disclosed in Note 8, Investment Income on Page 108. |
| **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 2024 was £9,343m (31 March 2023: £9,183m). 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 2022. 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 at the total Fund level over the period. The discount rate has increased by 0.1%, the CPI inflation assumption has decreased by 0.1% and the salary increase has also decreased by 0.1% which will all result in a more positive balance sheet position than if the financial assumptions had remained as they were at the start of the period.

| | **31 March 2024** | 31 March 2023 |
|---|---|---|
| | **%** | % |
| Rate of increases in salaries | **4.1** | 4.2 |
| Discount rate | **4.8** | 4.7 |
| Inflation / Pension increase rate | **2.6** | 2.7 |

*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 2022 Actuarial Valuation and allowance for expected future mortality rates. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown in the following table:

| | **2023/24 Years** | 2022/23 Years |
|---|---|---|
| **Retiring today** | | |
| Males | **21.7** | 22.2 |
| Females | **24.6** | 25.0 |
| **Retiring in 20 years** | | |
| Males | **22.7** | 23.2 |
| Females | **25.6** | 26.0 |

The net assets available for benefits are £10,463m giving a surplus of £1,120m when compared to the actuarial present value of promised retirement benefits of £9,343m calculated on an IAS 19 basis.

Details of the funding position of the Scheme are included in the Actuarial Statement on pages 134 to 135.

**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*

The Local Government Pension Scheme (Amendment No. 2) Regulations (Northern Ireland) 2023 were made on 28 September 2023, came into operation from 1 October 2023 and have retrospective effect mainly to 1 April 2015. The main purpose of these Regulations was to make amendments to the statutory underpin.

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 the statutory underpin and provided for in the retirement benefit obligation estimate in note 18. Any retrospective payments due on benefit recalculations necessary based on the statutory underpin will be immaterial at a fund level.

*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.

**23. Contractual commitments**

Outstanding capital commitments (investments) at 31 March 2024 totalled £267m (31 March 2023: £351m). These relate to outstanding amounts committed, but not yet paid, to unquoted limited partnership funds held in the private equity/infrastructure part of the portfolio. The amounts requested by these funds are variable in both size and timing over a period of 5-6 years from the date of the original agreement. In addition, NILGOSC has outstanding commitments in relation to global property mandates of £302m (31 March 2023: £42m) of which £285m (2023: nil) relates to the new global property mandate that will be funded over the next 2 to 3 years.

**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. The NILGOSC Committee includes representatives of Scheme employers which are regarded as related parties. Details of allowances paid during the year to members of the Committee are shown in the Remuneration Report on pages 82 and 83.

Due to the nature of NILGOSC's operations and the composition of the Committee, it is inevitable that transactions will take place with organisations in which a Committee Member, an officer or a close family member may have an interest. All such transactions are conducted at arm's length and in accordance with NILGOSC's policies and procedures.

No Committee member, officer or other related party has undertaken any material transactions with NILGOSC during the year.

**25. Post Balance Sheet Events**

There have been no significant events since 31 March 2024.

**The Financial Statements were authorised for issue by the Accounting Officer on 11 September 2024.**

# STATEMENT OF THE ACTUARY FOR YEAR ENDED 31 MARCH 2024

## Introduction

This statement has been prepared by the Actuary appointed by the Northern Ireland Local Government Officers' Superannuation Committee (the 'Committee') for inclusion in the accounts of the Northern Ireland Local Government Pension Scheme (the 'Scheme').

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Scheme 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 2022 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 2022 showed that the surplus in the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £10,231.1M) covering 111% of the liabilities.
2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 28 March 2023 (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 Fund by the employers.

   Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:

| Year from 1 April | % of pensionable pay | Plus total contribution amount (£M) |
|---|---|---|
| 2023 | 19.2% | 1.975 |
| 2024 | 19.2% | 2.018 |
| 2025 | 19.2% | 2.063 |

3. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the future service contribution rate, and individual employers' recovery periods as agreed with the Committee, reflecting the employers' circumstances.

   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 funding plan included an agreement for employers subject to the main employer group and intermediate funding targets that where such an employer's fund is in surplus, this has only led to an adjustment in contributions to the extent that this surplus is in excess of 5% of the value of that employer's liabilities (i.e. to the extent that the employer's funding level is greater than 105%).
4. The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

| | |
|---|---|
| Discount rate for periods in service | 4.2% p.a. |
| Discount rate for periods after leaving service | |
| Main Employer Group and subsumption funding target* | 4.2% p.a. |
| Intermediate funding target | 3.2% p.a. |
| Ongoing orphan funding target | 0.8% p.a. |
| Rate of pay increases | 3.8% p.a. |
| Rate of increase to pension accounts** | 2.3% p.a. |
| Rate of increases in pensions in payment** (in excess of Guaranteed Minimum Pension) | 2.3% p.a. |

   ** The main employer group discount rate was also used for employers whose liabilities will be subsumed after exit by a long term secure employer in the main employer group.*

   *** In addition, a 10% uplift has been applied to the past service liabilities on the main employer group and subsumption and intermediate funding targets to make allowance for short-term inflation above the long-term assumption.*

   *In addition, the discount rate and rate of increases to pensions for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and the employer has exited the Fund) were assumed to be 1.7% p.a. and 3.4% p.a. respectively.*

   The assets were valued at market value.
5. 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) S3 mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic HorizonsTM longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, 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 | 22.1 | 24.9 |
| Current active members aged 45 at the valuation date | 23.1 | 26.0 |

   Further details of the assumptions adopted for the valuation, including the other demographic assumptions, are set out in the actuarial valuation report.
6. The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Committee, monitors the funding position on a regular basis.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 28 March 2023. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 68 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014.
8. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2022. 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 our client, the Committee, in respect of this Statement.
9. The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address:

   **https://nilgosc.org.uk/resource-category/valuation-reports/**

   The link above provides access to an accessible version of the report, including descriptions of any charts and tables.
10. The valuation report refers to Aon's approach to some benefit uncertainties in the 2022 valuation which have since been resolved:
    - The Local Government Pension Scheme (Amendment No. 2) Regulations (NI) 2023 were laid on 28 September 2023 and set out the McCloud remedy for the LGPS (NI). The remedy is consistent with our expectations and the allowance made for McCloud liabilities in the 2022 valuation.
    - The Judicial Review relating to the 2016 cost management valuation, and the 2020 cost management valuation process have both been concluded and the outcome is that there are no resulting additional costs falling on the Fund (and ultimately employers). This outcome is in line with the approach taken in the 2022 valuation.

    Other benefit uncertainties remain as set out in the 2022 valuation report.

Aon Solutions UK Limited

**May 2024**

Appendices

# ANNUAL EQUALITY STATEMENT Year Ended 31 March 2024

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 reaffirms 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 dependents and persons without.

In addition, without prejudice to its obligations above, NILGOSC shall, in carrying out its functions, have regards 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 2023/24 and the equality agenda continues to be promoted and supported by the most senior levels of the organisation.

The NILGOSC Corporate Plan for 2023/24 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 its duties in relation to the Equality Scheme throughout 2023/24 to ensure that its policies and procedures are fair and lawful. A number of the actions set out in the Equality Action Plan 1 April 2023 – 31 March 2024 were progressed during the year, as set out below:

- At 31 March 2024 all Committee Members have completed the 'Equality and Diversity in the Northern Ireland workplace' e-learning training. All new staff continue to complete this training within one month of joining.
- There were 22 alternative communications issued between 1 April 2023 – 31 March 2024. All requests for alternative communication were successfully completed.
- NILGOSC is committed to providing all its digital content in an accessible format. The NILGOSC website was reassessed in June 2023, following an initial assessment in November 2022, with some minor issues identified which have been actioned. This review and additional actions for improvement ensure compliance with the Public Sector Bodies Website & Mobile Applications Accessibility Regulations 2018.
- NILGOSC has continued with its reconnection programme and issued letters to its deferred members in 2023. The programme is linked to a corporate objective to encourage non-registered deferred members to register for Member Self Service (MSS) with a review of improving member engagement.
- Training for members and pensioners on the availability of electronic communications and the use of MSS continues to take place, with a number of in-person seminars and remote sessions held both for members, and employing authorities held during the period 1 April 2023 – 31 March 2024. Instructional videos are available on the NILGOSC website.
- NILGOSC completed the ECNI's Accessible Business Checklist, ensuring that NILGOSC's premises and services are accessible. An action plan was developed following the identification of areas for improvement, this is currently being implemented.
- NILGOSC's Disability Action Plan was published following a consultation that closed in May 2023. Progress against the plan continues.

In line with its Equality Scheme, NILGOSC continues to carry out screening of any new or revised policies for equality impacts. Four policies were screened during 2023/24 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.

| | |
|---|---|
| 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 2024

## 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 2024.

1.2 This report provides a summary of the main areas and issues considered by the ARAC during 2023/24.

## 2 Constitution of the Audit & Risk Assurance Committee

2.1 At 31 March 2024 there were five members on the ARAC. Michael Rafferty (Chairperson), Shane McCurdy, JJ Tohill, Alan Law and Antoinette McMillen were all serving members of the Committee for 2023/24. Mark McBride was a serving committee member until 30 April 2023, thereafter attending meetings as an observer. Joan McCaffrey was a committee member of ARAC until 29 August 2023.

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, processes relating to raising concerns, and arrangements for special investigations.

2.3 Other individuals also regularly attend the meetings of the ARAC including the Chief Executive/Accounting Officer, Deputy Secretary, the Head of Governance and Human Resources, the Head of Finance, 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 2022/23 were prepared in line with changes to the FReM and relevant accounting guidance. This was presented to the ARAC on 8 August 2023. In line with DAO (DFP) 10/12 'Requirement to Complete a Governance Statement', the Chief Executive prepared his Governance Statement for 2022/23, which was considered and endorsed by the ARAC for inclusion in the 2022/23 Annual Report.

3.2 In addition to the Governance Statement, the Annual Report 2022/23 also included the Annual Report of the ARAC. On the recommendation of the ARAC, the Annual Report 2022/23 was approved by the Management Committee at its meeting on 29 August 2023 and laid before the Assembly on 12 September 2023.

## 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) had 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 2022/23 (RTTCWG) to the ARAC on 9 August 2023.

4.3 The External Auditor advised the ARAC that there were no significant issues identified as a result of the audit. One priority 2 recommendation was made in relation to the completion of journal entries, and two priority three recommendations were made in relation to related parties and tracking cumulative spend respectively.





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 2023.

4.4 The Local Government Auditor issued a clean audit opinion for the year ended 31 March 2023. There were no significant issues reported in the 2022/23 RTTCWG.

4.5 The Local Government Auditor presented its Audit Strategy 2023/24 to the ARAC at its meeting on 6 February 2024, which was subsequently approved.

## 5 Internal Audit

5.1 The Internal Auditor presented the final audit plan for 2023/24 to the ARAC on 31 May 2023.

5.2 The internal audit reviews conducted during 2023/24 and the assurance opinion provided in respect of each is set out in the table below:

| Review | Assurance Opinion |
|---|---|
| Pensioners' Payroll | Satisfactory |
| Business Continuity and IT Disaster Recovery Planning | Satisfactory |
| Pensions Development | Satisfactory |
| Procurement and Contract Management | Satisfactory |
| Human Resources Management | Satisfactory |
| Cyber Security Resilience | Satisfactory |
| Financial Management | Satisfactory |
| Follow Up | N/A |

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 2023/24.

5.4 The ARAC receives bi-annual reports on the progress against implementation of internal audit recommendations. These reports were provided in August 2023 and February 2024 and the ARAC noted that good progress had been made during 2023/24.

5.5 In her Annual Assurance Report, the Head of Internal Audit (HIA) stated that, during the twelve month period ended 31 March 2024, 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 2024.

## 6 Risk, Control and Governance

6.1 During the annual review of the risk register in April 2023, the risk register was extensively reviewed. As a result of the review some amendments were made to the register including risk scores and control measures and one new risk was added. The ARAC reviewed the risk register 2023/24 at its meeting on 30 May 2023, which was subsequently approved by the Management Committee on 12 June 2023.

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 2023/24 resulted in the increase of risk scoring for two risks and a reduction in scoring for two risks. Amendments to the wording of two key strategic risks were also applied to more accurately reflect the concerns underlying the risks score. Two new strategic risks were identified in the year 2023/24, and additional controls were added to two existing risks reflecting additional mitigations to manage those risks.

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 14 November 2023 and 21 May 2024 before consideration by the Management Committee and sign off by the Chair of the meeting.

## 7 Fraud and Raising Concerns

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 2023/24 there were no new frauds identified and NILGOSC continues to provide updates to the Department on a previously reported case.

7.2 There was one issue raised through NILGOSC's Raising Concerns Policy during 2023/24. The matter was addressed and closed in the first quarter of 2023/24.

7.3 Any cases of raised concerns or fraud are reported to the ARAC through a quarterly Fraud and Raised Concerns Report, presented at each meeting. In 2022/23 NILGOSC participated in the National Fraud Initiative (NFI) data matching exercise. Updates on progress against the investigation of matches identified through this exercise (and previous NFI exercises) and those identified by the General Register Office for Northern Ireland are included in this report.

## 8 Other

8.1 The Terms of Reference for the ARAC are formally reviewed every three years or as required. The Terms of Reference were reviewed and updated at the Management Committee on 25 March 2024. 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 2023/24.

## 9 Effectiveness of the Audit & Risk Assurance Committee

9.1 The ARAC met four times during 2023/24 in accordance with the planned work programme.

9.2 The following table sets out the attendance record for 2023/24:

| Member | Meetings Called | Meetings Attended | Attendance % |
|---|---|---|---|
| JJ Tohill[1] | 2 | 2 | 100% |
| Michael Rafferty | 4 | 4 | 100% |
| Antoinette McMillen | 4 | 3 | 75% |
| Alan Law[1] | 2 | 1 | 50% |
| Shane McCurdy[2] | 1 | 1 | 100% |
| Joan McCaffrey[3] | 2 | 2 | 100% |

1. *JJ Tohill and Alan Law were appointed to the ARAC on 29 August 2023*
2. *Shane McCurdy was appointed to the ARAC on 29 January 2024*
3. *Joan McCaffrey left the ARAC on 29 August 2023*

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 November 2017 to assist in undertaking this review.

9.4 The ARAC met on 1 May 2024 to discuss the questions on the checklist and review its effectiveness for the reporting period 1 April 2023 to 31 March 2024. 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 2023/24 review of effectiveness, no significant issues were identified.

## 10 Opinion

10.1 Based on the assurances and information provided during the year ended 31 March 2024, 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 2024

## 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

Northern Community Leisure Trust

Northern Community Leisure Trust 2

Radius Housing Association

Arbour Housing Limited

## Associated Bodies

Arc21 Joint Committee

Ark Housing Association Northern Ireland Limited

Armagh Observatory and Planetarium

Arts Council of Northern Ireland

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

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

Woven 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. |

| Term | Definition |
|---|---|
| **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 revalued to retirement. |
| **Cohabiting Partner** | Couples who live together but do not marry or enter a civil partnership. |
| **Consumer Prices 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 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** | Pension benefits which are calculated at the time an individual leaves the scheme and are payable at a later date. |
| **Deferred Member** | An individual who has left the scheme but will get pension benefits when they reach their normal retirement age. |
| **Defined Benefit Scheme** | A pension scheme which states in advance the level of benefits that will be paid on retirement, usually based on the service and earnings. |
| **Dependant** | Someone who is dependent on a member of the pension scheme (or on a pensioner of the scheme) and derives benefits through him/her. |



| Term | Definition |
|---|---|
| **Eligible Child** | A child is an eligible child of a deceased member if, at the date of death they are:<br>• The natural child of the deceased<br>• The adopted child of the deceased<br>• 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.<br><br>Eligible children must meet one of the following conditions:<br>• Be under age 18, or<br>• Be aged between 18 and 22 (inclusive) and be in full-time education or vocational training, or<br>• Be unable to engage in gainful employment because of physical or mental impairment and either has not reached age 23 or the impairment is in the opinion of NILGOSC's Independent Registered Medical Practitioner, likely to be permanent and the person was dependent on the deceased at the date of death because of that impairment. |
| **Expression of Wish** | An Expression of Wish enables a member to tell NILGOSC who they would like to receive any death grant due if they die. NILGOSC does not have to follow the member's wish but will take it into account. |
| **Final Pensionable Pay** | The pensionable earnings on which the final salary benefits are calculated. This may be based on how much an individual is earning when they retire or the best pensionable earnings in the last three years. |
| **Final Salary Scheme** | A defined benefit scheme where the pension benefits paid on retirement are based on how much an individual is earning when they retire. |
| **Fund Manager** | A professional manager of investments often employed by a pension scheme to manage assets on their behalf. |
| **Gilts** | Bonds issued by the Government. |
| **Guaranteed Minimum Pension (GMP)** | This is the minimum pension that an occupational pension scheme had to provide as a condition of contracting out for pre-6 April 1997 service. The Government is currently considering 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. |

| Term | Definition |
|---|---|
| **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.<br><br>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. |
| **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). |

| Term | Definition |
|---|---|
| **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:<br><br>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.<br><br>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.<br><br>Those existing members at 30 September 2006 who will be 60 or over and meet the 85 year rule between 1 April 2016 and 31 March 2020 will have full 85 year rule protection to 31 March 2008 and have some 85 year rule protection, on a sliding scale, to 31 March 2020. |
| **Securities** | A general name for shares, stocks and bonds issued to investors. |
| **Shares** | Sold by companies looking to raise money. Shares give the holders an interest in the company and a right to share in the profits. |
| **State Pension Age** | This is the age people normally start getting the basic state pension. From November 2018 this was equalised at age 65 for men and women. State pension age is then to increase to age 66 by October 2020, age 67 between 2026 and 2028 and to age 68 between 2044 and 2046.<br><br>The Pensions Act 2014 provides for a regular review of the State Pension Age, at least once every five years. |
| **Stock Selection** | The process of selecting which individual shares and bonds to buy and sell. |
| **Strain on Fund** | Pension strain costs (often also called capital costs) occur when there is a clear shortfall in the assumed level of funding needed to provide a particular pension benefit. Often strain costs arise when a member draws their benefits a lot earlier than expected. |
| **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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