NILGOSC

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE

ANNUAL REPORT AND ACCOUNTS 2022/23

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

NILGOSC Annual Report and Accounts

For the Year Ended 31 March 2023

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 2023

Table of Contents

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 2023 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 2023.

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 2023 NILGOSC paid 946 invoices totalling £20.843m on 10 day terms, of which 15 undisputed invoices were late. 98.4% of invoices were paid within 30 calendar days and no late payment interest was payable during the year. The average time to pay invoices during the year was 9.9 working days (2021/22: 8.2 working days).

Performance Report

OVERVIEW

INTRODUCTION

This section is intended to provide an overview of NILGOSC and how it has performed over the last twelve months. It also provides a summary of its main corporate objectives and activities, as well as the key issues and risks that could prevent it from meeting those objectives. The section begins with a Statement from the Chair and the Chief Executive which provides their perspective on NILGOSC's key activities and achievements during the year ended 31 March 2023. It concludes with highlights of NILGOSC's performance from both a Scheme Administration and Investment perspective.

JOINT STATEMENT FROM THE CHAIR AND CHIEF EXECUTIVE

Following a turbulent two years which were dominated by the pandemic and its global implications, both socially and financially, 2022/23 was a newsworthy year for very different reasons. From a geopolitical and financial perspective, the Russian invasion of Ukraine created more than news headlines as it created an energy price shock and inflation levels not seen for over four decades. From a social perspective, as the world returned to a post-pandemic new normal, a phenomenon known as the Great Resignation saw a rapid increase in employees leaving their jobs as a result of work and life changes triggered by the pandemic. This trend continued throughout 2022/23 and the resultant recruitment and retention challenges continue to impact NILGOSC significantly, with unprecedented staff turnover levels experienced.

Despite this background, NILGOSC continued to prioritise the delivery of services to members and stakeholders and 2022/23 saw a number of successes on the investment and administration front. This statement is our perspective on the performance and achievements of the organisation during the year ended 31 March 2023.

Investment Performance

2022 saw significant volatility return to financial markets as the Russian invasion of Ukraine caused disruption to global supply chains and concerns over energy security. A sharp hike in energy prices was replicated across food markets and other commodities, including metals, and the subsequent cost of living crisis resulted in a sizeable stock market correction and increasing fears of a recession.

A brief equity market rally at the start of the financial year quickly fizzled out and equity markets saw significant sell-offs as interest rates began to rise, leaving 2022 as the worst year for the US stock market since the 2008 financial crisis. Meanwhile the world's second-largest economy, China, periodically shut down entire cities as part of its zero-Covid policies creating further challenges for economic growth and global supply chains. Fortunately, a policy change saw China reopen in the final quarter of 2022/23, which together with support for its ailing property sector, creates a more promising outlook for 2023.

Whilst equity investors had a challenging year, bond markets fared even worse, thanks to rising inflation, significant interest rate rises and a relatively strong US dollar. Closer to home, political instability at the heart of Government created a sudden and unprecedented rise in UK gilt yields, causing the Bank of England to intervene in September 2022 to stabilise the bond market. That wasn't the only shock to credit markets as in March 2023 two US lenders collapsed and Credit Suisse was forced to seek support from the Swiss Government, increasing fears of another financial crisis. Fears of contagion prompted swift action from central banks in Europe and the US however, as the year came to a close, concerns continued over the resilience of the banking sector. The UK property market also had a difficult year with drops in valuation effectively wiping out previous year gains. The global property market also saw price corrections as a result of rising interest rates and inflation, with Europe hit particularly hard.

Equity and fixed income markets posted returns of -0.93% and -1.44% for the year ended 31 March 2023, while other assets, such as property and infrastructure showed returns of -14.68% and -2.36% respectively.

Despite its well diversified portfolio, NILGOSC was not immune to market declines and the fund fell in value by £701m during 2022/23, ending the year at £9.530bn. 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 2023, it had underperformed its investment objective of Consumer Price Index (CPI)+3% on a 3 and 5 year basis with returns of -2.61% and -2.91% respectively. Like any benchmark, CPI has advantages and disadvantages. On the plus side, 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.

The flip side is that, over shorter periods, inflation can move significantly from historical averages and central bank target ranges. It is not possible to invest directly in CPI and therefore asset returns will 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 actions arising from the 2021 triennial investment strategy review with new commitments made to primary infrastructure funds managed by iCON, Antin and DIF of $100m, €75m and €100m respectively. A further $20m was committed to a co-investment infrastructure fund also managed by DIF. Work also continued with respect to the planned appointment of a new global property manager and a third global equity manager. Selection exercises completed during 2022 with recommendations for appointment approved by the Committee, subject to satisfactory due diligence and contract negotiation. This process remains ongoing at 31 March 2023 and is scheduled to conclude in the first half of 2023/24.

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

One positive consequence of the volatile global backdrop is that Environmental, Social and Governance factors have worked their way back up the agenda as many investors, including NILGOSC, acted quickly to dispose of any Russian holdings. NILGOSC has a strong track record as a responsible investor and was one of the first LGPS funds to actively exercise the voting rights attached to its equity holdings back in 2006. NILGOSC continues to protect shareholder value by exercising its right to vote where possible and the latest Annual Voting Review is publicly available at **Annual voting reviews - NILGOSC**. Since then, stewardship activities have evolved considerably and NILGOSC was an active signatory and supporter to a range of global investment initiatives during the year including:

- Letter to the Financial Times on "Woke Capitalism", encouraging companies that better management of carbon risks and constructive engagement with stakeholders is beneficial to long term value creation.
- Statement on Sustainable Corporate Reporting calling for major standard-setting efforts for sustainability-related information to more closely align.

- 2022 Global Investor Statement to Governments on the Climate Crisis, to urge global governments to raise their ambition on climate policy.
- CDP's 2022 Science Based Targets Campaign.

Following a substantial revision in 2019, the new UK Stewardship Code focuses on the activities and outcomes of stewardship, rather than policy statements. To become a signatory, organisations are required to produce an annual Stewardship Report, to be assessed by the Financial Reporting Council (FRC), explaining how they have applied the Code in the previous 12 months. NILGOSC prepared its first annual Stewardship Report covering the 12 month-period ending 30 June 2021 and was delighted to have met the FRC's expected standard of reporting. In September 2022, NILGOSC was officially listed as a signatory to the UK Stewardship Code and will continue to report annually in an attempt to retain this status.

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 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 is an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, partaking in initiatives to encourage governments and companies to report against TCFD recommendations. Closer to home, NILGOSC produces an annual Climate-related Disclosures Report on its own activities with the latest report to 31 March 2022 published in December 2022. This report is available to read at **NILGOSC Climate-related Disclosures Report 2022**.

Scheme Administration

Scheme membership grew by 7.5% during the year, bringing the total number of members to 160,929 at 31 March 2023. Of this total, 50% are actively contributing to the pension scheme, 23% have previously contributed but have not yet reached retirement and the remaining 27% 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.

Resource challenges continued throughout the year as a competitive labour market and stagnating local government pay scales saw staff turnover breach its 20% target by a significant amount as at 31 March 2023. Recruitment difficulties saw a higher than usual level of vacancies across all business areas and grades, with turnover particularly high in the pension teams. Unavoidably, the resultant gaps and training lead-times did impact on service delivery performance as well as the deferral of certain non-time critical activities to focus remaining resources on business-as-usual tasks. Performance fell within the range 90% - 100% when measured against sixteen published in-house service standards with two exceptions: quotations and early leaver options. 78% of quotation requests were processed within the ten day service standard, while 68% of leaver notifications were processed within the twenty day target. Member satisfaction continues to be monitored closely and the results of the annual satisfaction survey undertaken in February 2023 show an overall satisfaction level with the service provided of 92%. We are very grateful for the work of all staff who went above and beyond this past year to provide this level of service despite vacancies in the workforce.

Good progress was made on 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. 83 employers have been onboarded and are actively using the new system at 31 March 2023 and the project now shifts to its latter phases, which will see larger scheme employers coming onboard over the next two years.

Target dates for the completion of a further three system-related developments (Finance, HR and Records Management) have been deferred into 2023/24, with resource constraints the primary contributing factor. All three activities are underway, with progress monitored against revised delivery milestones.

At a national level, the backdrop to pension scheme administration continues to be dominated by impending scheme changes required as a result of the McCloud judgment, which found that transitional protection arrangements put in place in certain public sector pension schemes were discriminatory on the grounds of age. In July 2022, the Department for Levelling Up, Housing and Communities in England stated its intention to consult on further LGPS McCloud regulations in 2023, which will reflect the outcome of its 2020 consultation and incorporate other aspects of the remedy which did not feature in the original drafting. Regulations are expected to come into force in October 2023 in England and Wales and it is anticipated that the Department for Communities in Northern Ireland will emulate the new regulations in both approach and timeframes. Additional staffing resources were brought onboard in 2022 to assist with the implementation of the expected McCloud remedy and to commence the historical data collection phase, which will pre-date any ultimate recalculation of benefits. This data collection phase, which included the updating of member records, was completed in line with the target timeframe of 31 March 2023, putting NILGOSC in the best position possible for the very challenging timeframe anticipated when the new regulations are finally made.

The latest triennial valuation of assets and liabilities was due at 31 March 2022, with significant data collection, cleansing and analysis undertaken throughout 2022/23. The Scheme Actuary issued her final valuation report on 28 March 2023, setting out the contribution rates payable by employers for the three years commencing April 2023. Further details on funding position and current contribution rates payable can be found in the Performance Report section.

With respect to its corporate plan, it is pleasing to report that NILGOSC delivered 87% of planned activities during 2022/23 and has set out its plans for the year ahead in the Corporate Plan 2023/24-2025/26.

Looking Forward

As noted above, the biggest challenge to the administration of public sector pensions is the McCloud judgment. Uncertainty remains around the precise nature and timing of remedial action required and, at 31 March 2023, NILGOSC awaits amending regulations from the Department for Communities. From a scheme administration perspective, the new regulations will introduce a change to the benefit structure which will bring with it a considerable administration burden as all systems, software, processes and scheme literature must be updated accordingly. Retrospective scheme changes, such as those falling from the McCloud judgment, require the recalculation of benefits paid or accrued since the relevant date. Given the expected effective date for the new regulations of October 2023, the ultimate implementation window will be short and challenging for scheme administrators.

Also at a national level, the implementation date for the LGPS to connect to the Pensions Dashboard has been pushed back to 30 September 2024, to allow for McCloud remedial action to be completed and member records updated. Draft regulations were laid before Parliament in October 2022 and, once operational, the Dashboard will allow individuals to view details of all their pension entitlements in a single location, including state and other public sector pensions. The LGPS has a further six-month period beyond its implementation date to make scheme member data available via the Dashboard. Preparation continues with a focus on data accuracy, which is critical to the success of the Dashboard and NILGOSC's ability to meet legislative requirements.

From an investment perspective, the year ahead will focus on the final stages of implementation of the 2021 investment strategy, including the funding of new global equity and property mandates and the continued build-up of the infrastructure portfolio. Stewardship and sustainability remain key areas of focus with the continued evolution of NILGOSC's climate risk metrics analysis and reporting. In the most recent portfolio-wide carbon analysis, forward-looking metrics such as scenario analysis and implied temperature rise were also undertaken for the first time alongside the more backward-looking carbon disclosures. Going forward, the outcomes of such analysis, together with continued engagement with investment managers, will help determine the next steps in assessing and managing NILGOSC's exposure to various climate outcomes.

Operationally, with staff turnover breaching 30% in 2022/23, it is clear additional action is required to address the issue. Therefore, important elements of the business plan for the year ahead are specific actions around job evaluation, training and staff wellbeing.

Thanks

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

We would also like to express our thanks to current Committee members for their time and commitment over the past year.

Lindsay Todd
Chair

David Murphy
Chief Executive and Secretary

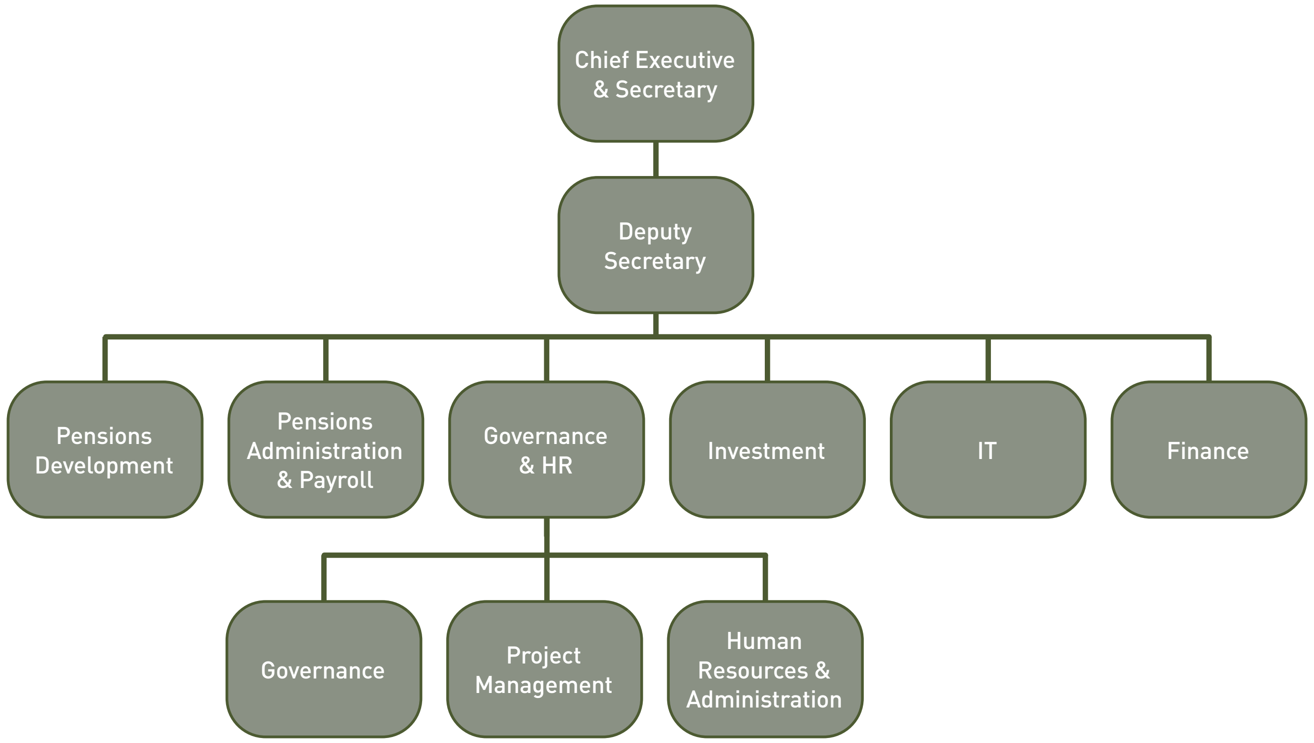
STATEMENT OF PURPOSE AND ACTIVITIES OF THE ORGANISATION

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

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

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

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



NILGOSC is a Non-Departmental Public Body but receives no funding from central government. It seeks to maximise income and minimise expenditure. The Scheme is funded by contributions made by both employees and employers who have been designated as employing authorities or admitted to the Scheme. All contributions are paid into a fund, the 'Fund', which is used to pay Scheme benefits and other payments, as well as the costs of administering the pension scheme and investment fund.

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

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

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

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

Under the 6 corporate aims sit a number of business objectives and operational actions, each of which has its own performance indicator against which success can be measured. Detailed performance analysis, including updates to the Corporate Plan objectives for 2022/23, is set out on pages 32 - 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 68 to 77.

NILGOSC provides a frontline service to its members and pensioners and prides itself on providing a high quality service to all its stakeholders. Having navigated successfully through all the turmoil brought on by the global pandemic, NILGOSC has arguably encountered more challenges during the endemic phase of the 2020 outbreak. The pandemic accelerated trends in remote and flexible working, e-commerce and automation which has led to disruptions in labour markets globally. NILGOSC hasn't been immune to these changes and has experienced a marked uplift in staff turnover from 2021-2023, rising to its highest turnover level in December 2022 which was in excess of 30%+ on an average rolling twelve month basis.

No organisation can be unaffected by this level of staff turnover and this has had a predictable impact on NILGOSC's operational performance in 2022/23. NILGOSC achieved or substantially achieved 86.9% of its of operational actions as set out in its Corporate Plan (2021/22: 91.5%). There was a similar trend for NILGOSC's performance against its service standards. Eleven of the sixteen service standards were met, therefore two further standards were missed as compared to 2021/22. While most vacancies in the pensions administration team have been filled, the level of turnover and the additional hours required to train staff to provide specialist, pension services has meant that tasks have needed to be prioritised and some less member critical targets have been missed. This deterioration in performance is directly linked to ongoing recruitment and retention challenges. NILGOSC took a number of actions during 2022/23 to address this critical resource risk, streamlining its recruitment processes and conducting a pay grade review with comparable public and private sector employers. Corrective action was identified in the form of revised pay proposals 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 is also planned for 2023/24.

A fully resourced, professionally trained organisation is critical for NILGOSC if it 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.

In 2023, NILGOSC continues to await the legislative changes required to remove the illegal age discrimination arising from the transitional arrangements in all public service schemes, following the 2019 UK Court of Appeal ruling in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant). The Department for Communities (DfC) has consulted on proposed changes to the LGPS (NI) aged based transitional protections, or 'underpin'. DfC has proposed extending a revised underpin to all members who were in the Scheme on 1 April 2012 and had membership after 1 April 2015. The underpin ends on 31 March 2022. The local consultation and consideration of any proposed remedy continues to be developed by the UK Collective Consultation Working Group and the LGPS(NI) Scheme Advisory Board. Any subsequent changes to the LGPS(NI) will be subject to further scheme level consultation and amending regulations are not expected to be introduced until later in 2023.

The anticipated changes to Scheme Regulations, arising from McCloud, will require major updates to all NILGOSC's systems, software and processes, to reflect any changes in benefit structure. NILGOSC's comprehensive suite of Scheme literature will require revision and republishing to reflect any changes, including the redesign of statutory communications such as pension benefit statements.

Regardless of the content of the final published regulations, the proposed McCloud remedy will require retrospective review and recalculation for those members falling under the proposed underpin. In 2022/23 NILGOSC substantially completed an exercise to collect the required data from employers in anticipation of changes to the regulations. This extensive exercise has required review and updates to over 37,000 member records and is an important first step in the ultimate rectification of affected member records.

In preparation for the anticipated actions outlined above, there has been a sizeable increase in the administration budget for the implementation phase and the administrative challenge is compounded by the typically short lead time provided to introduce these changes. There continues to be uncertainty around the precise timing of the anticipated amending regulations. Where legislation is made after its effective date, NILGOSC is forced to operate within a very challenging transition window, particularly where third-party software developments are required.

NILGOSC can only make payments in accordance with the prevailing regulations and therefore the potential for retrospective regulations and corresponding recalculation of benefits could create a material administration burden on NILGOSC. Also linked to McCloud is separate litigation taken by NIPSA on behalf of its members which has the potential to further increase the administration burden on the Scheme.

In 2022/23, as global economies were recovering from the worst effects of the pandemic, high inflation, driven by the sharp rise in energy prices as a result of the war in Ukraine, has put pressure on government finances. Future actions by the UK in the wake of unprecedented support provided in response to the pandemic, followed by energy price intervention to support businesses and UK households into 2023, is expected to place further restraint on public spending. Locally, double digit level cuts to local departmental budgets have been announced, so NILGOSC remains alert to the potential for a more significant increase in benefits administration as a result of future redundancies or voluntary exit schemes.

NILGOSC has continued to explore and expand its virtual service delivery opportunities, accelerated by the onset of the 2020 pandemic. This includes its online member self-service facility, *My NILGOSC Pension Online*, which forms a key part of its on-going communication and self-service delivery strategy. NILGOSC monitors member usage of the self-service portal, and at March 2023 over 42,000 members have registered and website activity indicates growing participation. The portal permits members to directly access and update the information NILGOSC holds on them as well as allowing members to view and project their NILGOSC pension, providing dual benefit to both NILGOSC and the member. While the primary beneficiary is the member, through timeliness and enhanced service delivery options, there are important data quality benefits if members update their own personal data on a more timely basis and potential financial and environmental savings to be made in the longer term through reduced postage and printing costs. A key challenge remains to ensure that any move to electronic delivery methods does not result in disengagement by those members with a preference for either paper or in-person communications. NILGOSC has established a reconnection programme with its less engaged members to collect individual communication preferences and to encourage greater engagement on their pension entitlements.

Like other organisations, the pandemic accelerated trends in remote and flexible working, which has placed increased reliance on IT infrastructure, therefore 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 2023 NILGOSC sought and obtained Cyber Essentials Plus accreditation as a means of further mitigating this risk. Cyber Essentials is a UK Government backed scheme which aims to help organisations protect themselves against cyber attacks.

In addition to servicing the members of the Scheme NILGOSC's other primary stakeholders are the 170+ employing authorities that contribute to the Scheme. Employer education and engagement is essential to ensure that NILGOSC receives the high quality and timely data needed to process member pension benefits in accordance with stated service standards. During 2022/23 NILGOSC has built on its successful information webinars to employers and members during the pandemic. In the 2022/23 year NILGOSC hosted 41 pension information sessions for members and employees, with a total of 4,122 attendees. Feedback on the virtual and on-premises sessions has been overwhelmingly positive.

Poor data quality remains one of the key risks to the achievement of NILGOSC's corporate aims and objectives and in 2022/23 NILGOSC continued to roll-out its new data exchange platform. 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 and once fully operational is expected to yield significant benefits from a data accuracy and information security perspective and remove the need for what is a resource intensive annual return and reconciliation exercise. By March 2023, 83 out of 169 Employers had been onboarded and were actively using the system.

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.

The results of the 2022 triennial actuarial valuation were published 28 March 2023. The results indicate an overall Fund surplus of 111% and the increase in gilts returns, upon which exiting employers' liabilities are estimated, provided an opportunity for two smaller employers to exit the Scheme. The annual employer covenant assessment highlighted no concerns with respect to potential future employer defaults, noting that this assessment concluded before the announcements on 2023/24 budget settlements and the continued absence of a functioning NI Executive.

There remains a risk that the short to medium term impact of post-pandemic 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 during this period of uncertainty, to manage any potential increase in employer default and any such impact on the Scheme funding level.

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 during the year. Data was received in January 2023 and significant progress has been made in investigating and resolving these matches. An update in relation to the NFI exercise is provided in the Performance Report on page 26.

The focus on long term Scheme sustainability and the achievement of steady long term returns from a suitably diversified investment portfolio is an important part of NILGOSC's on-going risk management process. In addressing its strategic theme of long-term scheme sustainability, NILGOSC continued to execute actions required to bring the Fund in line with the agreed asset allocations from the triennial Investment Strategy Review in September 2021.

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 most recent investment strategy review.

The Fund's overall return on the total assets for 2022/23 was -6.85%, well short of the assumed investment return for the actuarial valuation.

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.

NILGOSC's 2022/23 investment returns must be considered in the context of the high inflationary environment not seen for the previous four decades. Coupled with rising interest rates, global markets saw significant volatility across nearly all asset classes, with some market measures in double digit negative returns for the year. Whilst short term returns are below target, NILGOSC's well diversified investment strategy has helped mitigate some of its losses over what has been a turbulent trading period across global markets.

Information on the Fund's investment returns in the period are set out in detail in the NILGOSC Investment Performance section of the Performance Report starting on page 53.

SUMMARY OF PERFORMANCE

The following section summarises NILGOSC's performance from both a Scheme Administration and Investment perspective. A detailed analysis of performance across both the administration and investment functions can be found on pages 20 to 61 in the Performance Analysis section of the Annual Report.

Administration of the Scheme

- Membership of the Scheme continued to grow during the year with 160,929 (+7.5%) contributing members, pensioners and deferred pensioners at 31 March 2023.
- At 31 March 2023 there were 169 employing authorities contributing to the Scheme with two employers leaving and no new employers joining during 2022/23.
- Following the previous actuarial valuation as at 31 March 2019, employer contribution rates were set at 19.5% for the three years commencing April 2020 for those employers whose participation in the Scheme is deemed to be indefinite and/or where an adequate covenant is in place. The 2022 actuarial valuation has set employer rates at 19% for the three years commencing April 2023.
- The Pension Increase (Review) Order (Northern Ireland) 2022 increased pensions which had been in payment for more than a year (commenced before 21 April 2021) by 3.1%. A proportionate increase applied to any pensions beginning on or after 27 April 2021 but before 27 March 2022.
- Unprecedented 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 on page 27.
- Resource challenges also impacted on NILGOSC's delivery of its 2022/23 Corporate Plan. NILGOSC achieved, substantially achieved or was on target to achieve 86 out of the 99 operational actions, which equates to an achievement rate of 86.9% (2021/22 91.5%).
- A stakeholder satisfaction survey was undertaken in February 2023 to measure the satisfaction levels of Scheme members, pensioners and employers. The aggregate satisfaction rate across all stakeholder groups was 92% (2021/22: 90%).
- Utilisation of *My NILGOSC Pension Online*, the member self-service facility, has continued to grow with over 42,000 members registered at 31 March 2023. NILGOSC has moved the default delivery setting for all active and deferred members to electronic, subject to individual member preference.
- NILGOSC commenced the rollout of its new data exchange platform for Scheme employers, i-Connect in January 2022. At 31 March 2023, 83 employers have been onboarded and were actively using the system.
- 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 consecutive years.
- During the year ended 31 March 2023 NILGOSC received a total of 28 ill-health retirement appeals, 9 formal complaints and 19 informal complaints, a total of 56 appeals/complaints (2021/22: 78).

Investment of the Fund

- Set against a backdrop of rising interest rates, elevated inflation and geopolitical uncertainty, NILGOSC recorded negative returns across a broad range of its asset classes in 2022/23. The Fund fell in absolute terms by £701m to £9.530bn representing a 6.85% decline.
- The Fund performance, while ahead of CPI, is behind its target of CPI +3.0% by -2.61% and -2.91% on a three and five year basis respectively for the period ended 31 March 2023. Performance across NILGOSC's 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 2023 on an annualised basis are set out in the following table:

	3 Years	5 Years
NILGOSC	6.58%	4.67%
CPI + 3.0%	9.19%	7.58%

- There was a mixed performance from NILGOSC's global equity mandates. It was a disappointing year for NILGOSC's high growth mandate, which was down -12.48% in absolute terms in 2022/23 following a second difficult year for growth strategies. On the upside, the more defensive global equity mandate, selected to offer downside protection in more volatile market conditions, delivered absolute returns of 3.40%, thereby outperforming its target in 2022/23.
- Funded in May 2021, NILGOSC's new emerging equities manager followed a challenging first year with a difficult 2022/23 with the portfolio lagging its target by -4.66%.
- Fixed income markets had a difficult year and NILGOSC's Index Linked Gilt portfolio posted double digit negative returns of -30.4%. NILGOSC's Absolute Return Bonds (ARB) and Multi-Asset Credit (MAC) managers also had a challenging year with three of the four managers underperforming their targets. The conflict in Ukraine, inflation, rising interest rates and the more recent multiple bank failures have all adversely affected fixed income markets. The ARB managers on the whole performed better and managed to deliver a positive return in absolute terms.
- The UK Property market faced similar challenges during the year, which is reflected in significant valuation falls across both portfolios in absolute terms. The Index Linked portfolio fared particularly badly in relative terms as a result of its inflation linked target of RPI +2%.
- In contrast the Global Property markets performed well. With almost 86% of the commitment drawn down in 2022/23, NILGOSC's global property mandate performed well with returns for the year of 8.20%.
- During the year NILGOSC continued to implement its medium-term plan to reduce allocation to equities and increase its investment in a range of infrastructure funds with commitments of £351m outstanding in 2022/23. The Infrastructure Funds as a whole continued to deliver strong returns during the year.
- NILGOSC took part in a number of climate risk mitigation activities in 2022/23, including signing the 2022 Global Investor Statement to Governments on the Climate Crisis and the Investor statement calling for stronger alignment of regulatory and standard-setting efforts around sustainability disclosure. In December 2022 NILGOSC produced its second TCFD aligned Climate-related Disclosures report for the year ended 31 March 2022.
- In March 2022, NILGOSC renewed its commitment to CDP (formerly the Carbon Disclosure Project) signing up to its 2023 Non-disclosure campaign and joined the CDP's Science-Based Targets Campaign. This is 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.
- NILGOSC continues to exercise its voting rights in investee companies and voted at 205 AGMs and other corporate meetings during 2022/23. 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 68 - 77. 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 2021 was 3.1% and this was applied to the actual pensionable pay ranges for 2022/23. The rates effective from 1 April 2022 were as follows:

Actual Pensionable Pay Range	Employee Contribution Rate
£0 - £15,400	5.5%
£15,401 - £23,700	5.8%
£23,701 - £39,500	6.5%
£39,501 - £48,000	6.8%
£48,000 - £95,100	8.5%
More than £95,100	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 2022/23 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

There were no Local Government Pension Scheme (Amendment) Regulations for Northern Ireland made during the 2022/23 year. With respect to wider pension legislation, the following Regulations came into effect during the year:

The Occupational and Personal Pension Scheme (Disclosure of Information) (Requirements to Refer Members to Guidance etc.) (Amendment) Regulations (Northern Ireland) 2022.

These regulations were made on 16 March 2022 and came into operation from 1 June 2022. These regulations set out the circumstances where an individual is required to either take appropriate pension guidance or opt out of taking pension guidance when taking their Additional Voluntary Contribution Funds from the Scheme.

Scheme Membership

The number of active, deferred and pensioner members of the Scheme continued to grow during 2022/23 and two employing authorities exited the Scheme.

Members

Membership of the Scheme increased during the year to 160,929 members. At 31 March 2023, the Scheme consisted of 80,703 contributing members, 43,315 pensioners and 33,071 deferred members plus 1,193 records in process and 2,647 unclaimed refunds.

Employing Authorities

At 31 March 2023, 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). A full list of these organisations can be found on pages 140 - 142.

Mourne Heritage Trust left the Scheme on 31 December 2022 and Belfast Charitable Society exited on 31 March 2023.

Revaluation of CARE Benefits

The Public Service Pensions Revaluation Order (Northern Ireland) 2022 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 3.1% was applied on 1 April 2022 in relation to CARE benefits built up to 31 March 2022.

The Public Service Pensions Revaluation Order (Northern Ireland) 2023 confirmed an increase of 10.1% is to be 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 this proposed change is to remove an anomaly in the regulations that includes inflation in the calculation of pension savings for annual allowance purposes. Without this change, the high inflation rate would mean 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 have 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) 2022, operational from 11 April 2022, increased pensions which had been in payment for more than a year (commenced before 27 April 2021) by 3.1%. A proportionate increase applied to any pensions beginning on or after 27 April 2021 but before 27 March 2022.

The Guaranteed Minimum Pensions Increase Order (Northern Ireland) 2022 increased GMPs by 3.0% from 6 April 2022.

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. Factors relating to non-club transfers and divorce calculations were immediately suspended and GAD has a six-month timetable in place to review and update the suite of factors for the LGPS (NI).

Triennial Valuation as at 31 March 2022

The Scheme's actuary published the results of the 2022 triennial valuation in March 2023. The report summarises the results of the funding valuation of the Fund as at 31 March 2022 and sets out the employers' contribution rates for 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.

Cost Cap Mechanism

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

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

Following consultation with member representatives, the Department of Finance published revised valuation directions on 22 November 2021 which enabled the 2016 valuation to be completed and the final cost cap results to be determined.

The final cost cap valuation report as at 31 March 2016 was published by the Government Actuary's Department on 27 June 2022. This valuation report sets out the result of the valuation after the consideration of the remedy of the McCloud discrimination. The cost cap cost of the Scheme was determined to be -1.6% which lies within the +/- 2% corridor specified in the Department of Finance Regulations. This meant that no changes to benefits or member contributions were required.

Following a further review of the cost control mechanism by the Government Actuary and an HM Treasury consultation, the Government announced it intended to reform the cost control mechanism by including the reformed scheme only, widening the cost corridor and introducing an economic check. The aim was to implement these proposals in time for the Cost Cap 2020 valuations.

The Department of Finance made The Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations (Northern Ireland) 2022 on 25 August 2022 and they came into operation on 16 September 2022. These regulations amend the existing Public Service Pensions (Employer Cost Cap) Regulations (Northern Ireland) 2015 to widen the margins of the cost cap mechanism from 2% to 3%. The Public Service Pensions and Judicial Offices Act 2022 (made 10 March 2022) implemented the reformed scheme only legislation and the economic check.

McCloud Judgment

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

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

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

The Department for Communities consulted from 11 November 2020 to 31 January 2021 on proposals to

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

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

The proposed approach is to extend the underpin arrangement to all members who were active in the 2009 Scheme before 1 April 2012 and have accrued benefits under the 2015 Scheme without a disqualifying break in service (five or more years), subject to aggregation requirements. The underpin will cover the period between 1 April 2015 and 31 March 2022, known as the remedy period. These proposals have been developed in conjunction with the Collective Consultation Working Group, which is the recognised forum for consultation on pension policy for devolved schemes and where both public service employers and employees are represented, and with the LGPS(NI) Scheme Advisory Board. It is expected that the Department for Communities will have a further consultation on McCloud remedy during 2023 and that Regulations implementing the remedy will come into force not later than 1 October 2023.

Indexation and Equalisation of Guaranteed Minimum Pensions (GMP)

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

In March 2021, HMT published its response confirming that the Government had decided to make permanent the interim solution for indexation in the public service pension schemes. The Department of Finance published a direction on 1 April 2021 giving this effect. This means that the LGPS (NI) 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 Pensions Act 2014 set a statutory requirement to review the rules about State Pension Age every six years. The Department for Work and Pensions launched its review in December 2021 and the results of this review were published 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.

The previous review of state pension age concluded that the 2021 review should consider whether the increase to age 68 should be brought forward to between 2037 and 2039. However, the review published in March 2023 has now confirmed that it does not intend to bring forward the increase to age 68 at this time. 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'*.

PDP released the Pensions Dashboards Standards for consultation in July 2022. NILGOSC responded to these consultations with positive feedback, only raising concerns in a few areas.

The draft Pensions Dashboards Regulations 2022 were published for consultation in early 2022 and came into force 12 December 2022. The Regulations confirmed that NILGOSC has 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 has been reset and a revised staging timetable will be legislated for at the earliest opportunity.

National Fraud Initiative

NILGOSC participates in the biennial National Fraud Initiative (NFI) run by the Northern Ireland Audit Office, which has statutory powers to conduct data matching exercises for the purpose of assisting in the prevention and detection of fraud. NILGOSC participated in the NFI 2022/23 data matching exercise in October 2022 and matches were released in January 2023.

In total, 554 data matches were released across eight reports. Of the 554 matches, 492 were investigated as potential pensioner overpayments. One of these totalling £10k was confirmed as an overpayment and the rest were closed with no further action. This overpayment was identified as a suspected fraud through the 2022/23 exercise and NILGOSC is currently pursuing recovery of the overpayment. 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 134 to 135 of this report. NILGOSC's commitment to the promotion of equality of opportunity and diversity within its workforce is reflected across all of its staff policies.

As a global investor NILGOSC can influence social factors including human rights through its responsible investment activities. NILGOSC has developed a Statement of Responsible Investment which sets out its practices in this regard. Further information in respect of NILGOSC's responsible investment activities can be found within the Investment of the Fund section of this Performance Analysis, starting on page 57.

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: **www.nilgosc.org.uk/document-category/scheme-governance/**

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 in 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 2ºC degrees or below. In June 2020, NILGOSC became an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD), and in December 2022 NILGOSC produced its second TCFD-aligned Climate-related Disclosures report for the year ended 31 March 2022.

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 **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 2023, 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 2022/2023:

Task	Standard (working days)	Target Performance %	2022/23 Actual Performance %
Lump sum retirement payments	10 days	90%	90%
Death grant payments	10 days	90%	96%
Leaver options notifications	20 days	90%	68%
Refund payments	10 days	95%	99%
Refund quotations	10 days	90%	94%
Transfer out quotations	20 days	90%	91%
Transfer out payments	10 days	90%	88%
Transfer in quotations	10 days	90%	91%
Transfer in confirmations	20 days	90%	99%
New entrant certificates	20 days	95%	100%
Correspondence	10 days	95%	93%
Benefit quotation requests	10 days	90%	78%
Issue members' annual report	By 30 November	100%	100%
Issue members' annual benefit statements	Within 5 months of year end, unless relevant data unavailable	100%	97%
Pensions paid each month	Last banking day of month	100%	100%
P60s issued to all pensioners	By 31 May	100%	100%

The 2022/23 year was a challenging year for NILGOSC and is reflected in its performance falling short of service standards. Service standards were met for 11 out of the 16 targets (2021/22: 13/16 targets met). An unprecedented increase in staff turnover, recruitment and retention difficulties as well as the impact of training new staff have all contributed to the deterioration in the overall annual service level performance. 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 (68%) and the provision of benefit quotations (78%), while the remaining three actions that fell short of target are within 3% 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 submission of pension data on a monthly basis, 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 2024/25. By 31 March 2023, 83 employers had been onboarded and were actively using the system. Initial feedback on the system and the transition experience has been positive with 97% of employers rating it '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 2023 the website had nearly 99,000 users, 159,663 individual sessions and over 352,000 page views.

Communication and member engagement remains a strategic priority for NILGOSC, and it continues to monitor member satisfaction and behaviour. At March 2023 over 42,000 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 2022/23 satisfaction survey, members gave a satisfaction rating of 92% 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. In March 2023, reconnection letters were issued to those deferred members who, to date, had not registered for *My NILGOSC Pension Online*.

Satisfaction Survey

A Stakeholder Satisfaction Survey for the year 2022/23 was carried out in February 2023. Surveys were drawn up for members, deferred members and pensioners, relevant to the service they receive from NILGOSC. Approximately 3,750 surveys were sent to the three member groups, and the response rate averaged at 17.25%. In addition, online surveys were also sent to 170 employing authorities. A total of 41 employers responded to the survey, a response rate of 24%.

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 82% for deferred members, 90% for active members and 98% of pensioners. 97% of employers indicated a satisfaction rating of good or excellent. The aggregate satisfaction rate across all stakeholder groups was 92% (2021/22: 91%).

Publications

Respondents were asked to rank communication materials on a scale of 1 to 5 (1 being poor and 5 being excellent). Questions related to relevance of information, presentation and layout and ease of understanding. 92% of member respondents and 96% 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% and 97% 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 92% 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 93% 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 available on NILGOSC's website for those unable to attend a live event.

In the 2022/23 year, NILGOSC hosted 41 pension information sessions for members and employers, with a total of 4,122 attendees. The satisfaction survey showed that 58% of respondents had attended a NILGOSC seminar in the last year and 100% of employers rated the seminar as Good or Excellent. 98% of members who provided feedback after attending a seminar rated it as Good or Excellent.

Cost per Member

The table below shows administration expenses per Scheme member, together with the ratio of members to staff. In the year ended 31 March 2023, 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 the uplift in total membership has maintained the cost per member for 2022/23 to that of the prior year.

Year ended 31 March	Total Members	Number of Staff	Members/ Staff	Admin Expenses £'000	Cost/ Member £	Inflation adjusted cost £
2014	103,382	53	1,951	3,112	30.10	38.88
2015	109,462	58	1,887	3,267	29.85	38.55
2016	114,026	64	1,782	3,803	33.35	42.87
2017	118,794	78	1,523	4,348	36.60	45.99*
2018	122,587	84	1,459	4,393	35.84	43.93*
2019	129,947	82	1,585	4,699	36.16	43.54*
2020	139,048	77	1,806	4,643	33.39	39.61**
2021	142,492	79	1,804	4,675	32.81	38.65**
2022	149,739	76	1,970	4,745	31.69	34.89**
2023	160,929	80	2,012	5,601	34.81	34.81**

* Between 2017 – 2019 adjustments to the administration expenses totals have been made (2018/19 £846k; 2017/18 £281k; 2016/17 £1,933k) for the purposes of the cost per member calculation. These 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 and £646k respectively, that being an IAS 19 adjustment to current service pension costs as these adjustments are sufficiently material to impact the cost per member calculation and are also not a member related cost.

Decisions, Reviews and Complaints

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

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

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

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

If the individual is unhappy with the decision made by the Secretary at the stage one review, they may ask the Committee to undertake a stage two review. Any request for a stage two review must be sent to the Head of Pension Services within six months of the date of the Secretary's stage one review decision. The Committee delegates this function to the Internal Dispute Resolution Committee (IDRC).

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

NILGOSC received a total of 28 ill-health retirement benefit appeals (25 at stage one and 3 at stage two), 9 formal complaints (8 at stage one and 1 at stage two), and 19 informal complaints during 2022/23, a total of 56 appeals/complaints.

One formal complaint was heard by the IDRC during the 2022/23 year. This complaint related to incorrect information being provided by NILGOSC and the complaint was upheld.

The 28 ill-health retirement appeals consisted of 25 stage one appeals and 3 stage two reviews. At stage one 13 appeals were upheld meaning the initial ill-health decisions were overturned and 12 appeals were not upheld meaning the initial ill-health decisions remained the same. Of the 25 stage one ill-health retirement benefit appeals, 3 progressed to stage two reviews within the 2022/23 year. Two ill-health appeals were heard by the IDRC during the 2022/23 year and both decisions were upheld, meaning the initial ill-health decisions were overturned, the remaining stage two appeal remains outstanding, pending further information.

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

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

Review of Corporate Plan 2022/23

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 2022/23 – 2024/25 Corporate Plan was completed or on target at 31 March 2023.

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 2023	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	381,050 pensioners paid 100% paid by last banking day of the month	**Achieved**
	1.1.2 To pay pension lump sums promptly and accurately	Within 10 working days of the receipt of the relevant details	2,758 pension lump sums paid 90% within target Average time taken 8 days	**Achieved**
	1.1.3 To pay refunds of contributions promptly and accurately	Within 10 working days of receiving a valid application	2,507 refunds paid 99% within target Average time taken 6 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	161 transfers out paid 88% within target Average time taken 8 days	**Substantially Achieved**
1.2 To credit pension contributions, transfers and other employer liabilities received promptly and accurately	1.2.1 To collect monthly contributions and invest in scheme fund promptly	Within 10 working days of following month	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	237 transfers in confirmations provided 99% within target Average time taken 10 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	Employers were advised within target	**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	5,655 items of correspondence 93% within target Average time taken 4 days	**Achieved**
	1.3.2 To provide members leaving the scheme with option choices	Provide a statement of benefit options within 20 working days of notification	3,472 early leaver notifications provided 68% within target Average time taken 37 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	3,532 refund quotations provided 94% within target Average time taken 7 days	**Achieved**
	1.3.4 To provide members and deferred members with benefit statements	Benefit statements issued within 5 months of year end	1,810 quotations provided 78% within target Average time taken 10 days	**Not Achieved**
1.3 To provide members with information needed to make pension decisions promptly	1.3.5 To provide members and deferred members with benefit statements	Benefit statements issued within 5 months of year end	Deferred statements issued to 97.9% of deferred members Active member statements issued to 97.1% of active members in August 2022 Overall the percentage of statements issued to members was 97.4%	**Substantially Achieved**
	1.3.6 To provide members with annual allowance statements as applicable	Statements issued by 6 October	218 pension savings statements issued ahead of 6 October 100% within target	**Achieved**
	1.3.7 To provide an estimate of a CETV	Within 20 working days of receipt of relevant details	919 transfer out quotations provided 91% within target Average time taken 14 days	**Achieved**
1.4 To pay death benefits promptly and accurately	1.4.1 To notify dependants of pensions payable	Within 10 working days of receipt of the relevant proof of title	113 dependants' pensions paid 100% within target Average time taken 5 days	**Achieved**
	1.4.2 To pay death grants promptly	Within 10 working days of receipt of relevant proof of title	1,312 death grants paid 96% within target Average time taken 3 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	Processes were changed to reflect LGPS (Amendment) Regulations 2022 made 24 March 2022; The Parental Bereavement Leave and Pay (Consequential Amendments to Subordinate Legislation) Regulations (NI) 2022 made on 30 March 2022; and The Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations (NI) 2022 made 16 March 2022	**Achieved**
	1.5.2 To train relevant staff on any regulation changes	Relevant staff trained on new regulations within 3 months of regulations made	Training completed on each set of regulations	**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 regulation amendments for survivor benefits were largely delivered in software release 22.2, however, the changes on paying death grants to over age 75s and associated tax charges were not delivered until the 22.4 release on 30 November 2022 This is outside 3 months of the regulations being made	**Not 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	No regulations made during year in relation to McCloud and no action necessary in respect of the cost cap	**Achieved**

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2023	Status
1.5 To ensure that all necessary action is taken on any change to scheme rules	1.5.5 To train staff on scheme changes arising from McCloud/cost cap breach	Staff trained on new regulations within 3 months of regulations made	No regulations made during year in relation to McCloud and no action necessary in respect of the cost cap	**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	No regulations made during year in relation to McCloud and no action necessary in respect of the cost cap	**Achieved**
	1.5.7 To implement benefit changes and record amendments arising from McCloud/ cost cap legislation	To complete necessary changes in line with agreed implementation plan	Validation tool developed to assist with uploading hour changes Software programming is delayed pending a further consultation and regulations being made	**On Target**
	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	Data was received from all but 1 active contributing employer and 99.36% of member records have been validated and updated where necessary	**Substantially Achieved**
	1.5.9 To recalculate any benefits required as a result of changes in legislation due to the Goodwin decision	To complete necessary recalculations by agreed date	All identified records have been checked and benefits recalculated as necessary	**Achieved**
	1.5.10 To process any adjustments to benefits or transfer payments as a result of GMP equalisation	To process any adjustments by agreed date	No adjustments required during the 2022/23 year	**On Target**
1.6 To ensure that systems and procedures comply with relevant legislation	1.6.1 To respond to Data Protection and Freedom of Information (FOI) requests	Within 1 month (GDPR) or 20 days (FOI) of request	28 FOI requests and 23 SARs were responded to within timescales in the last financial year	**Achieved**
	1.6.2 To implement the Retention and Disposal Schedule	To complete implementation for electronic records by March 2023	The automated retention process has been successfully tested Pilot phase (IT, Premises, Committee, Governance & Information Compliance) sites have been completed and the pilot phase has been closed Resourcing challenges and the prioritisation of workloads in other business areas has rendered the organisation-wide target date unachievable	**Not Achieved**
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 10.2% relative to baseline	**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: Common data 99.5% (99.4%) and Scheme Specific data 99% (98.7%)	**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 2023	Status
2.1 To value the scheme assets and liabilities and set contribution rates accordingly	2.1.1 Undertake Actuarial valuation every 3 years	Publish valuation by 31 March 2023	The valuation report as at 31 March 2022 was published	**Achieved**
	2.1.2 To provide necessary information to GAD for cyclical cost cap valuations	Information provided by due date.	No action required during the year	**On Target**
	2.1.3 To ensure employer contribution rates for 2022/23 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 Outstanding deficit recovery amounts collected with March 2023 contributions in April 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 2023** were behind the fund target of **CPI +3.0%** by -2.61% and -2.91% respectively	**Moderately 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 2023, no active breaches were reported Underperformance is addressed through the scorecard process	**Achieved**
	2.2.3 To maximise income from scheme assets	Amount of income earned	In the 12 months to 31 March 2023: Stock Lending income: £956,531 (to 31 March 2023) Class actions income: £1,340	**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 remaining elements of the 2021 strategy review are being implemented The next strategy review will take place in 2024	**Achieved**
	2.3.2 To monitor quarterly funding updates on an ongoing and low risk basis	Quarterly funding updates provided by Actuary	The 2022 valuation was published on 28 March 2023 The funding level is 111% on an ongoing basis, and 65.1% 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 benchmark report presented to Committee in August 2022	**Achieved**
	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 Annual cost analysis completed and presented to Management Committee in August 2022	**Achieved**

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2023	Status
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	In the 12 months to 31 March 2023: • Votes were cast at 205 meetings for 155 companies • 13 engagement letters were issued to European companies • £1,340 recovered through class actions to 31 March 2023	**Achieved**
	2.5.2 To produce an annual stewardship report	Report produced by 28 February	Initial data collection and compilation completed by deadline, but due to the FRC's announcement of a deadline change from March to May 2023, coupled with competing priorities, the finalised report was presented to the Management Committee and submitted in May 2023	**Substantially 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 was considered during the Due Diligence for the four new infrastructure investments completed during the year to 31 March 2023	**Achieved**
	2.6.2 To undertake a carbon intensity analysis of portfolio	Analysis completed by 31 August 2022	Following an unsuccessful tender exercise for a Carbon Exposure Analysis provider, a derogation was provided Despite the delay, carbon analysis of the portfolio was largely completed ahead of deadline	**Substantially Achieved**
	2.6.3 To undertake portfolio scenario analysis	Analysis completed by 31 August 2023	Portfolio scenario analysis undertaken as part of 2022 Climate-related disclosures report	**Achieved**
	2.6.4 To produce an annual Climate-related Disclosures report	Report produced by 31 August 2022	Following the delay to secure a Carbon Exposure Analysis provider, completion of the report was consequently delayed The report received Committee approval in December 2022 and was published online	**Not 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 FSS approved by the Committee in August 2022	**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 2022/23 Final report consolidating employer covenant evaluation behind schedule and expected to be finalised summer 2023	**Not Achieved**

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2023	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	No suitable opportunities identified during period	**On Target**
	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: • 2022 Global Investor Statement to Governments on the Climate Crisis • CDP's 2022 Science Based Targets initiative • UNPRI's Advance Initiative to advance human rights and social issues through Stewardship • DAERA Cross-Sectoral Advisory Working Group on Climate Change Reporting by Public Bodies in Northern Ireland • Investor Statement on Sustainable Corporate Reporting • CDP's 2023 Non-Disclosure campaign	**Achieved**

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

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2023	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	There were 80,703 active members at 31 March 2023, an increase of 9.1% 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	All Scheme literature updated to reflect regulation changes and new financial year	**Achieved**
	3.2.2 Provide employee and employer seminars	Employer satisfaction rating as measured through annual satisfaction survey	During the year 41 sessions were delivered with a total of 4,122 attendees. 81 Member events were held with 3,542 attendees 23 Employer events were held with 580 attendees. 100% of employers rated the seminars as good or excellent	
	3.2.3 To lay the Annual Report in the NI Assembly	In accordance with date agreed with Department	2021/22 Annual Report and Accounts certified with an unqualified opinion and laid before the NI Assembly 12 September 2022 as agreed with DfC	**Achieved**
	3.2.4 To implement the Communications Workplan	Actions completed in line with target dates	47/50 actions were achieved or substantially achieved Any outstanding actions have been carried over into the 2023/24 year	**Substantially Achieved**
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	Regulation changes were advised to active and deferred members in their annual newsletters Pensioners were advised of relevant changes in a separate update All were issued within 3 months of the regulations being made	**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	20,370 new members processed within 20 days of receipt of information from employer 100% 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 2023	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	Potential pension tax changes covered in employer circular	**Achieved**
	4.1.2 To respond to relevant Government consultation exercises	By consultation reply date	Responded to Pensions Dashboard consultation	
	4.1.3 To respond to parent Department consultation exercises	By consultation reply date	Responded to Revaluation Date Change Consultation	**Achieved**
	4.1.4 To contribute to consultee groups e.g. PLSA, LGPC etc	To have representation on all groups	Representation continued on key 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	Briefing to councillors on investment matters Assisted DWP undertake second review of state pension age Met with DoF on 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 the Department	Amendment Regulations made in March 2022 and operational from April 2022	**Achieved**

5. To undertake business in an efficient, effective and accountable manner as required of a public body.

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2023	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 completed for year ended 31 March 2022	**Achieved**
	5.1.3 Participate in data matching exercises as appropriate	Identify invalid payments and recoup losses	NILGOSC participated in the 2022/23 NFI Data Matching Exercise which identified one overpayment totalling £10k In respect of the 2020-21 NFI exercise, 11 overpayments totalling approximately £26.1k were identified. As at 31 March 2023, recovery of the remaining balance of £12.9k is being pursued Recovery of overpayments identified through earlier NFI exercises continues with £3.5k outstanding	**Achieved**
	5.1.4 To test Business Continuity procedures and ensure effective	Annual test of Business Continuity Plan	Annual test successfully completed by March 2023 including scenario testing and enhanced penetration and vulnerability testing Cyber Essentials Plus accreditation was awarded on 21 March 2023	**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 26 April 2022 The Risk Register 2021/22 was approved by the ARAC and the Management Committee on 31 May 2022 and 20 June 2022 respectively Quarterly risk reviews took place throughout the year	**Achieved**
	5.1.6 To undertake a triennial review of the Organisation's Strategic Objectives	Review undertaken by 31 December 2024	Not due in current reporting period	**On Target**
	5.1.7 To undertake the retendering of goods and services	Tenders completed in line with procurement schedule	All procurement activity conducted in line with 2022/23 procurement schedule and adherence to prevailing Procurement Policy Notes (PPN) and DoF/DfC direction	**Achieved**
	5.1.8 To utilise relevant procurement frameworks to minimise costs and increase efficiency	Frameworks utilised where they offer value for money and meet business needs	Suitable procurement frameworks are and will continue to be used by NILGOSC to ensure cost and operational efficiency	**Achieved**
5.1 To enhance corporate governance arrangements appropriate for a public body	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	A total of 566 hours of training/ development were completed during the year Three members did not meet the individual target of 40 hours	**Not Achieved**
	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	Not required in current reporting period	**On Target**
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 3 complete by March 2023 Phase 6 complete by March 2024	86% (83 out of 97) of employers scheduled for Phase 3 or earlier are submitting data straight through to NILGOSC's pensions software Employers using the extract submission method were given an additional five months to onboard due to the complexity of the process	**Substantially Achieved**
	5.2.2 To promote the take-up for Member Self Service (MSS) across scheme membership	To achieve a 35% registration level for members by 31 March 2023	35% of members were registered on MSS at 31 March 2023	**Achieved**
	5.2.3 To implement a cloud-based hosting platform for non-essential servers	Migration initiated by 31 March 2023	Internal applications on non-critical servers have been migrated to Software as a Service based solutions During the year 5 servers were retired in favour of hosted solutions A strategy has been developed to continue service migration for additional resources and workloads	**Achieved**
	5.2.4 To encourage non-registered deferred members to register for Member Self Service through a reconnection programme	To write to non-registered deferred members by 31 March 2023	Letters issued to over 15,000 deferred members in March 2023	**Achieved**
	5.2.5 To implement a replacement finance system	System operational by 30 September 2023	Project to transition to an integrated finance, procurement and contract management platform commenced in 2022/23 and progress aligned to schedule	**On Target**

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2023	Status
5.2 To maximise efficiency through the use of technology	5.2.6 To facilitate the exchange of data with the pension dashboard	To be compliant with legislative requirements and timeframes	All records digitised before commencement of project and data quality at 99%, per TPR's data quality checks 'Find data' matching criteria has been tested and a policy on matching criteria is being drafted	**On Target**
	5.2.7 To identify, source and implement a new recruitment system	System implemented by March 2023	Recruitment and retention challenges and the high level of recruitment activity has resulted in the project being put on hold	**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	Templeton Times was issued each quarter	**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 PRINCE 2 trained and where applicable provides advice to ensure projects are managed in line with these methodologies	**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	A total of 1,130 hours of training were completed during 2022/23	**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 staff have been enrolled on e-learning modules and these were completed, or in progress (for new staff), by year end	**Achieved**
	5.4.3 To undertake a review of the staff structure and capacity	Review completed by 31 March 2023	Management structure reviewed following resignation of the Head of Governance and Support Services	**Achieved**
	5.4.4 To monitor staff retention and address any issues identified	Staff turnover level maintained below 20%	Turnover for the year is 28.74%	**Not Achieved**
	5.4.5 To undertake a biennial staff satisfaction survey and address any issues identified	Staff survey completed by 31 March 2023	A staff survey was undertaken in January 2023	**Achieved**

Business Objective	Operational Action	Performance Indicator	Progress at 31 March 2023	Status
5.4 To ensure NILGOSC attracts and retains well trained personnel	5.4.6 To recruit a wellbeing champion and refresh the wellbeing programme	Wellbeing programme refreshed by 31 March 2023	The Training and Wellbeing Officer was appointed during the year Work is ongoing to develop a wellbeing programme for launch in 2023/24	**Not Achieved**
	5.4.7 To undertake a job evaluation exercise	Exercise concluded by 30 September 2023	Target date revised to March 2024 during the year and reflected in 2023/24 business plan	**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	All windows have been replaced in Templeton House Phase 1 of Bathroom Refurb has been completed, with phase 2 scheduled in 2023/24, following the replacement of the Heating System Planning for the refurbishment of Ground and 1st Floors will take place in 2024/25, for implementation in 2025/26	**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	The 2021/22 Committee self-effectiveness survey concluded that the Committee is set up and working effectively Committee members invited to attend the PLSA Local Authority Conference and the LGC Investment Seminar	**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 2023	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	There were no policies requiring screening during the period	**On Target**
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 not due in current year	**On Target**
	6.2.2 To record annual recruitment monitoring information	Report submitted by 1 May each year	The annual monitoring report was submitted to ECNI on 20 April 2022	**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 2022/2025	Actions completed in line with plan	An Audit of Inequalities exercise was completed in February 2022 which informed the Draft Equality Action Plan for 1 April 2022-31 March 2025 Progress was reviewed by the SMT 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 2022	The Annual Equality Progress Report is due to be submitted by 31 August 2022	**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	Equality Scheme referenced in all three membership newsletters and the Annual Report 2021/22	**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 2023 is included on pages 132-133.

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 most recent 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 most recent formal strategic review concluded in September 2021 and resulted in a revised investment objective for the Fund. The review was informed by the funding position, alongside advice from the Investment Advisor and Scheme Actuary on future capital market and demographic expectations. NILGOSC is a long-term investor and makes long-term strategic decisions, rather than short-term tactical decisions. Therefore, 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 allocations to equity, property, fixed income and infrastructure did not change as a result of the 2021 review, but further action is required to implement the strategy in full. Reducing equity holdings to the strategic allocation of 34% of the Fund, whilst simultaneously increasing the Fund's exposure to real assets remains 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.

In order to help build up the Fund's infrastructure allocation to the target of 7.5% in May 2022, NILGOSC committed $100m to iCON Infrastructure Fund VI, a closed-ended fund with a focus on diversified brownfield infrastructure assets primarily in Europe and North America. Shortly after, in July 2022, a €100m commitment was made to DIF VII, a close-ended infrastructure fund with a focus on regulated assets, renewable energy and social infrastructure. September 2022 ended with a commitment of €75m to Antin Infrastructure Fund V, which, like the predecessor flagship Antin funds, is close-ended and focused on value-add infrastructure assets in sectors with strong inflation-linked cashflows. At the end of February 2023, NILGOSC also committed $20m to a co-investment in a renewables asset, managed by DIF Capital Partners. Close-ended funds have a number of years over which to draw down committed capital as the infrastructure managers build up investments in each portfolio, therefore there can be a lag between committing to funds, and asset allocation increasing significantly. However, over the period, NILGOSC's £100m commitment to IFM Global Infrastructure Fund made in March 2022, which is open-ended, was drawn in full. The IFM fund invests in core infrastructure assets globally.

The remaining steps to implement the strategy, include: the appointment of a third global equity manager; the appointment of a second global property manager; consideration of the need to appoint a second Private Rental Sector (PRS) manager; further rebalancing exercises as required; and additional commitments to infrastructure funds. During 2022/23, the processes to identify a suitable global equity manager and a suitable global property manager completed with due diligence and contract negotiations ongoing at the year end.

The following table shows the target asset allocation along with the current weighting as at 31 March 2023. It also sets out the approximate assumptions made about the real return for each asset class as at 31 March 2023.

Asset Class	Target Weighting %	Current Weighting %[1]	Real Return % p.a.[2]
Global Equity	31.5	40.7	4.75
Emerging Market Equity	2.5	2.1	5.00
UK Traditional Property	4.0	3.6	3.50
Private Rental Sector	1.5	1.2	3.50
Index-Linked Leases	3.5	3.2	5.25
Global Property[3]	6.0	2.7	2.50
Infrastructure[4]	7.5	6.0	4.75
Index-Linked Gilts	14.5	11.2	0.75
Absolute Return Bonds	14.5	15.8	3.50
Multi Asset Credit	14.5	13.5	4.50

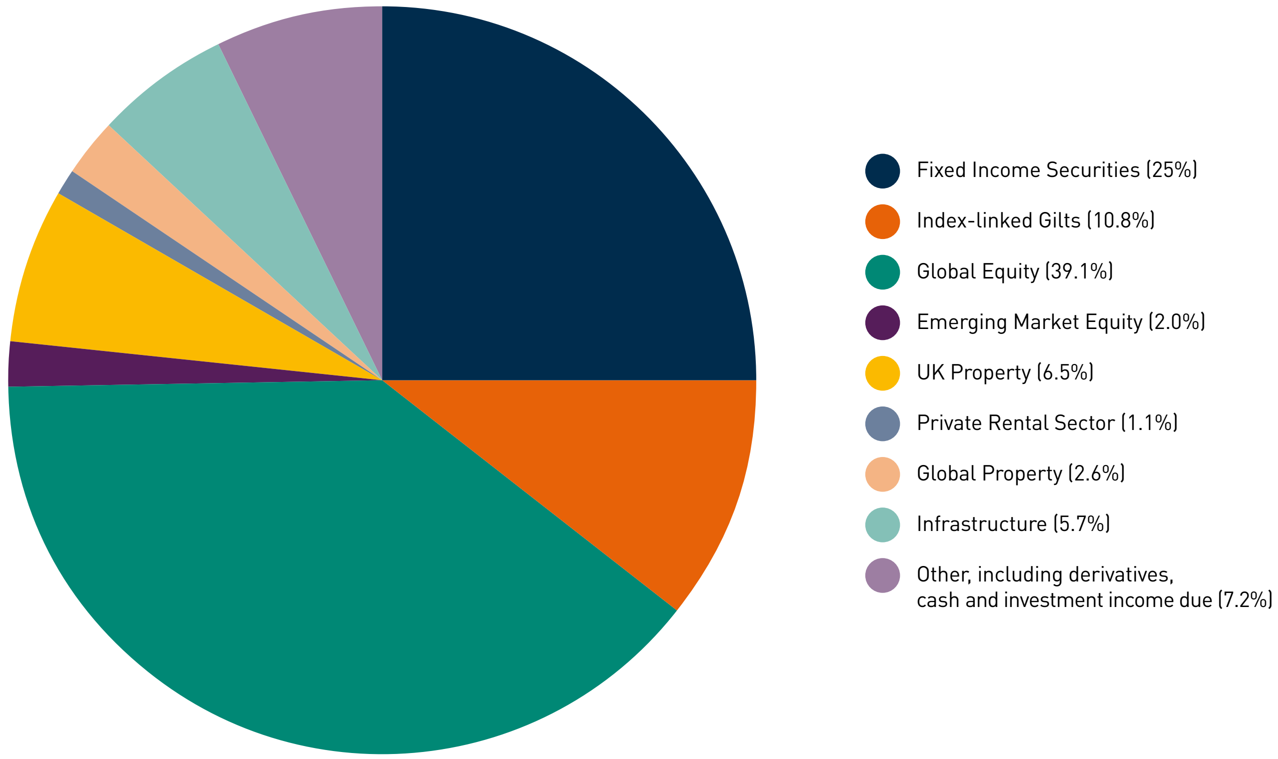
[1] The calculation of target and current weighting excludes investment cash held for trading purposes.

[2] The real return figures are based on Aon's 10-year forward-looking assumptions as at 31 March 2023 for each asset class and have been adjusted for its CPI assumption of 2.2% 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 £873m to a number of Infrastructure investment funds. As at 31 March 2023, NILGOSC had funded £526m, approximately 60.3% 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.

Fund Asset Allocation at 31 March 2023



The actual asset allocation as at 31 March 2023 is illustrated in the above pie chart. The calculations include investment cash held for trading purposes which is categorised as 'other'.

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 funds, 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. During 2022/23, NILGOSC continued this collaboration with Lothian, and as at 31 March 2023 had committed a total of £78.5m through such co-investments. A further £56.9m is committed to co-investment opportunities directly with Antin Infrastructure Partners, and over the period, a commitment of $20m was made to a renewables co-investment managed by DIF Capital Partners.

The following table sets out the mandates and primary fund investments in place as at 31 March 2023, 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 2023 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	5.17%
	William Blair	2.06%
Passive Funds	Legal & General Investment Management	41.56%
Absolute Return Bonds (ARB)	Royal London Asset Management	7.77%
	T. Rowe Price	7.55%
Multi Asset Credit (MAC)	BlueBay	6.93%
	PIMCO	6.25%
UK Traditional Property	LaSalle Investment Management	4.05%
Index-Linked Property	LaSalle Investment Management	2.59%
Global Property	CBRE Investment Management	2.70%
Primary Funds:		
UK Residential Property	M&G UK Residential Property Fund[1]	1.16%
Infrastructure	Antin Infrastructure Fund II[2]	0.08%
	Antin Infrastructure Fund III[3]	0.66%
	Antin Infrastructure Fund IV[4]	0.59%
	Antin Infrastructure Fund V[5]	0.01%
	Antin Mid Cap I[6]	0.15%
	Copenhagen Infrastructure IV[7]	0.25%
	DIF Infrastructure Fund V[8]	0.47%
	DIF Infrastructure Fund VII[9]	0.00%
	iCON Infrastructure Fund VI[10]	0.10%
	IFM Global Infrastructure Fund[11]	1.06%
	KKR Global Infrastructure Investors Fund II[12]	0.25%
	KKR Global Infrastructure Investors Fund III[13]	0.35%
Infrastructure Co-Investments[14]		1.60%
Smaller NI Investments and Cash		0.96%

SOURCE: The Northern Trust Company

[1] Total commitment £100m
[2] Total commitment €44m (£38.8m converted at 31 March 2023 exchange rate)
[3] Total commitment €75m (£65.9m converted at 31 March 2023 exchange rate)
[4] Total commitment €75m (£65.9m converted at 31 March 2023 exchange rate)
[5] Total commitment €75m (£65.9m converted at 31 March 2023 exchange rate)
[6] Total commitment €45m (£39.5m converted at 31 March 2023 exchange rate)
[7] Total commitment €50m (£43.9m converted at 31 March 2023 exchange rate)
[8] Total commitment €50m (£43.9m converted at 31 March 2023 exchange rate)
[9] Total commitment €100m (£87.9m converted at 31 March 2023 exchange rate)
[10] Total commitment $100m (£80.9m converted at 31 March 2023 exchange rate)
[11] Total commitment £100m
[12] Total commitment $60m (£48.5m converted at 31 March 2023 exchange rate)
[13] Total commitment $50m (£40.4m converted at 31 March 2023 exchange rate)
[14] Total commitment £54m, €46.8m and $69.8m (£151.6m converted at 31 March 2023 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 2023 are shown in the following table:

Asset Class	Target/Benchmark Indices (Outperformance shown per annum)
Equities	MSCI All Countries World Index+3% 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%
Private Rented Sector	6% Absolute Return
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 was CPI+3.0% at year end.

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 also 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 a three to five year investment horizon.

Market Report

Global equities generated negative returns over the twelve months to 31 March 2023. Equities suffered a sharp sell-off over the first six months of the period, as geopolitical risk continued to take centre stage, with Russia's ongoing invasion of Ukraine and central banks' sharply tightening monetary policy in response to elevated inflationary pressures. Equity markets recouped more than half of the losses over the latter six months of the year though as markets felt confident that a deep recession would be avoided, and investor concerns on tighter monetary policy abated.

In the US, the period ended with Silicon Valley Bank (SVB) entering receivership with the Federal Deposit Insurance Corporation (FDIC) on 10 March 2023, which cited inadequate liquidity and solvency protection.

SVB was the 16th largest bank in the US and represented the largest failure of a bank since the Global Financial Crisis. Shortly after SVB's demise, investor concerns regarding Credit Suisse accelerated, amidst reports that its top shareholder had ruled out further funding. UBS later agreed to buy Credit Suisse, stabilising the market.

Sterling ended the period 2.6% lower on a trade-weighted basis. Over the course of the year, the Bank of England (BoE) raised its benchmark interest rate cumulatively by 3.5% to 4.25%; and noted that the need for further monetary policy tightening would depend on future evidence concerning the persistence of price pressures. The BoE also became the first major central bank to actively start to unwind quantitative easing, selling £750m of government bonds in November 2022.

Brent crude oil prices fell by 26.1% to $80 per barrel over the twelve months. In Q2 2022, the Organization of the Petroleum Exporting Countries Plus (OPEC+) agreed to a larger-than-expected oil production increase as oil prices surged, increasing production by 648,000 barrels per day during July and August 2022. However, a sharp fall in oil prices in Q3 2022, amid growing fears of recession and weak oil demand from China due to its "zero-covid" policy, prompted OPEC+ to agree to a cut in oil production of 100,000 barrels a day from October. In Q4 2022, OPEC+ agreed to cut production by a further 2 million barrels a day to keep oil prices from falling as a result of weaker global demand, and the period ended with an announcement from the OPEC+ of further surprise oil production cuts of more than 1 million barrels a day.

Equities

Over the period, US equities were the worst performing equity market, selling off sharply in 2022 as elevated inflation and expectations for higher interest rates weighed on the region; leading to the underperformance of sectors such as Information Technology and Consumer Discretionary. Following SVB's 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 memory. For a major part of 2022, the US dollar exhibited strength due to its status as a safe haven currency, improving returns in sterling terms.

UK equities were the best-performing equity market over the year. Performance was supported by the heavy-weighted Energy sector, which was the best performing sector, as fears over energy supply security grew as a result of the conflict in Ukraine. Economically sensitive sectors such as Industrials and Consumer Discretionary also performed strongly.

European equities were the second-best performing equity market in sterling terms over the period. During Q2 and Q3 2022, performance was poor due to mainland Europe's close trading relationship with Russia, and in particular, reliance on Russian energy. However, European equities posted strong returns over the next six months, benefiting from falling energy prices and China's economic reopening.

Japanese equities posted mixed returns in local currency and sterling terms throughout the year, as the Bank of Japan continued to maintain its loose monetary policy in contrast to most central banks. The yen reached a 20-year low against the US dollar during Q2 2022, which the Bank of Japan proceeded to offset in Q3 2022 by selling US dollars for the first-time since 1998. Japanese equities saw positive returns over the second half of the year in line with developed market peers.

Emerging markets were the second worst-performing market over the twelve months. Increases in interest rates by major central banks and a strong dollar resulted in emerging market returns lagging other markets. Brazilian and South Korean equities posted particularly weak returns, whilst Chinese and Indian equities were among the best performers, albeit returns were still negative. Brazil experienced anti-government riots amidst softening economic data, whilst Indian markets are in the midst of allegations of share price manipulation and fraud at a major conglomerate in the country.

UK Fixed Income

UK fixed-interest gilts returned -16.3%, while index-linked gilts returned -26.7% over the year as inflationary concerns drove yields higher. In September 2022, the BoE temporarily announced an emergency £65bn bond-buying programme to stabilise the government debt market, after an unexpected expansionary fiscal package was announced. The package increased investor concern over the sustainability of public finances, resulting in a considerable spike in yields. The sharpness of the sell-off was exacerbated by the forced unwinding of Liability Driven Investment (LDI) positions, as UK pension schemes worked to provide collateral to LDI managers following sharp yield increases.

However, in Q4 2022, yields fell back across the curve following a government U-turn on fiscal policy and Liz Truss' resignation as prime minister. Later in the period, in Q1 2023, the UK fixed-interest gilt curve fell across all maturities except for the shortest end of the curve, as markets priced in additional rate increases in the immediate future, but a lower terminal rate thereafter.

Credit markets declined over the period, with UK investment-grade credit spreads (the difference between corporate and government bond yields) widening. The iBoxx Sterling Non-Gilt index declined -10.2% as rising gilt yields and widening spreads outweighed the income yield.

Global Fixed Income

The global bonds market faced significant volatility over the period, with major central banks escalating their monetary policy tightening plans to fight inflation, and market concerns over the health of the economy resulting in intense market swings. The hawkish monetary policy resulted in a rapid rise in sovereign bond yields in June 2022, a move that was swiftly tempered as the market focus shifted to growth concerns. July's sovereign bond rally gave way to a sharp sell-off from mid-August onwards as major central banks, led by the Federal Reserve, became more aggressive on fighting inflation, causing bond yields to rise materially. In November 2022, the US core consumer price index increased below expectation though, which raised market expectations of a change in monetary policy and resulted in a rally in the bond markets. However, major central banks continued to deliver on rate hikes, driving yields higher again from mid-December. The period's sell-offs intensified at the end of December 2023 when the Bank of Japan unexpectedly decided to make its yield curve control policy more flexible.

Q1 2023 kicked off with a strong rally in government bond markets, driven by the prospect of easier monetary policy due to disappointing economic data. Markets swung the other way in February, with a sell-off, following strong employment and inflation data, which continued until early March when Federal Reserve policymakers reinforced their bias for higher interest rates. The failure of some US regional banks, and broader concerns about the Financials sector fuelled demand for safe-haven assets, including government debt. Prompt action by major central banks stabilised market sentiment, and as a result, global bond yields ended Q1 2023 lower, with peripheral bond yields in Europe seeing larger declines than core markets in the second half of March.

In emerging markets, a stronger dollar and weak risk environment put domestic government bonds under pressure, resulting in broad losses at the start of the period. Over Q4 2022, local emerging market government bonds were broadly supported by: bouts of US dollar weakness; the overall increase in risk sentiment given lower-than-expected US inflation; and the reopening of China's economy. At the start of 2023, emerging markets local currency government bonds generated strong positive total returns in the first quarter, broadly supported by a weakening US dollar.

Property

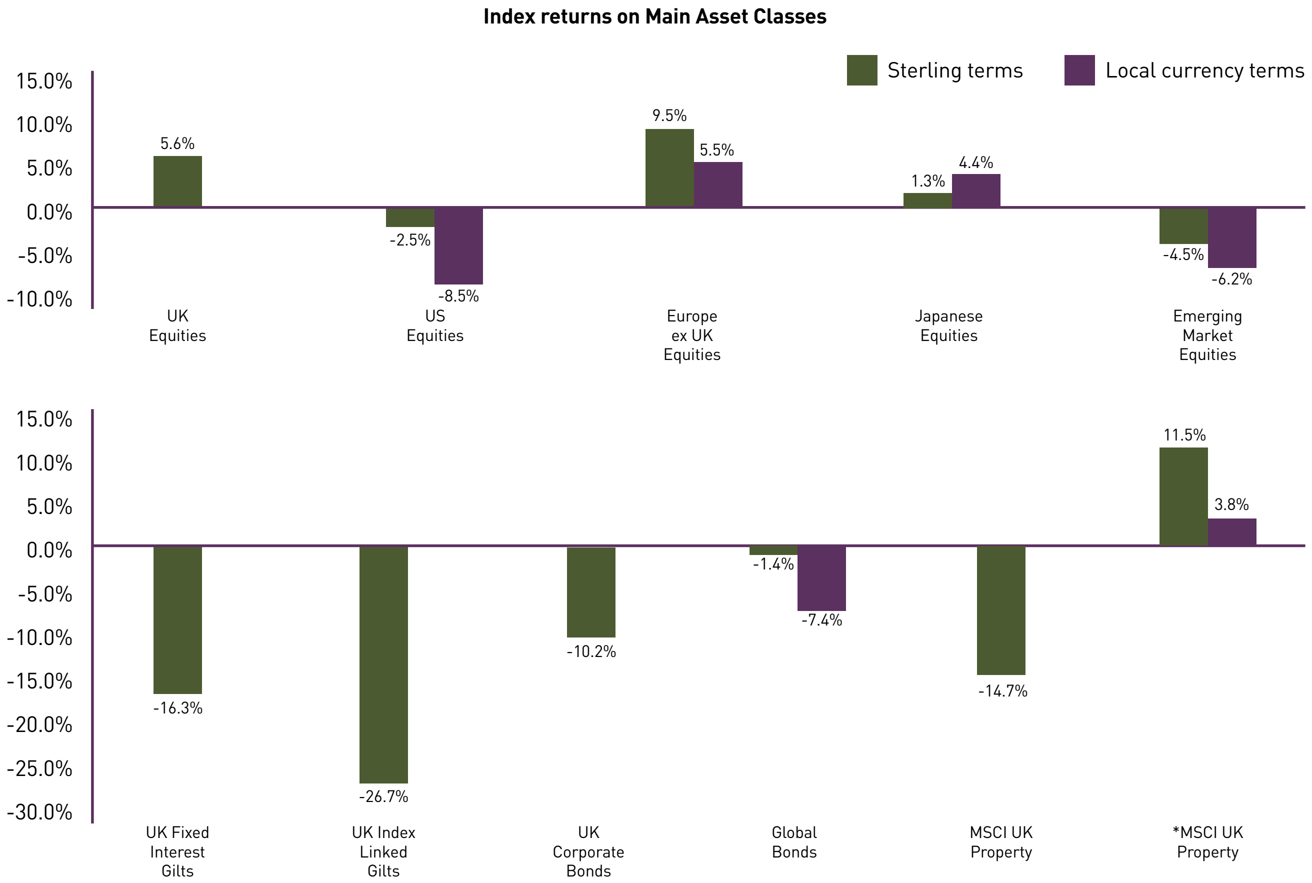
UK commercial property returned -14.7% over the year as capital values depreciated, following sharply higher capitalisation rates over the year. Income return was 5.0%, but the -18.8% decrease in capital values weighed over. The retail, office, and industrials sectors fell by -7.8%, -13.2%, and -21.2% respectively.

In global property, leasing activity softened towards the end of 2022 and slowed further over the first quarter of 2023 with credit tightening in the private sector. By historical standards, multifamily and logistics leasing held up with robust rent growth and near record-low vacancies, with strong occupier demand continuing to support long-term income growth. By contrast, global office take-up fell by 23% in Q4 2022 year-on-year. Office demand fell particularly sharply in the US and rental income is expected to decrease in the foreseeable future, with potential large resets as delinquency rises in the sector.

Infrastructure

Infrastructure funds generally performed in line with their objectives over the year, although diversification across sub-sectors continued to be important for returns. While sectors such as communication and utilities experienced little or no impact from COVID, other sectors like transportation witnessed a material impact. These assets performed more strongly on the back of recovery over most of 2022 as trade and travel related volumes recovered significantly. Sea ports and terminals witnessed record headline containership volumes, however volumes normalised in the latter part of 2022 and Q1 2023. In addition, continued pick up in energy transition and the introduction of the Inflation Reduction Act in the US alongside similar policy frameworks in Europe further supported renewable energy development as well as other projects and assets critical for the energy transition.

The following graphs summarise the index returns on the main asset classes/regions for the year to 31 March 2023. Returns are shown in sterling terms and local currency terms.

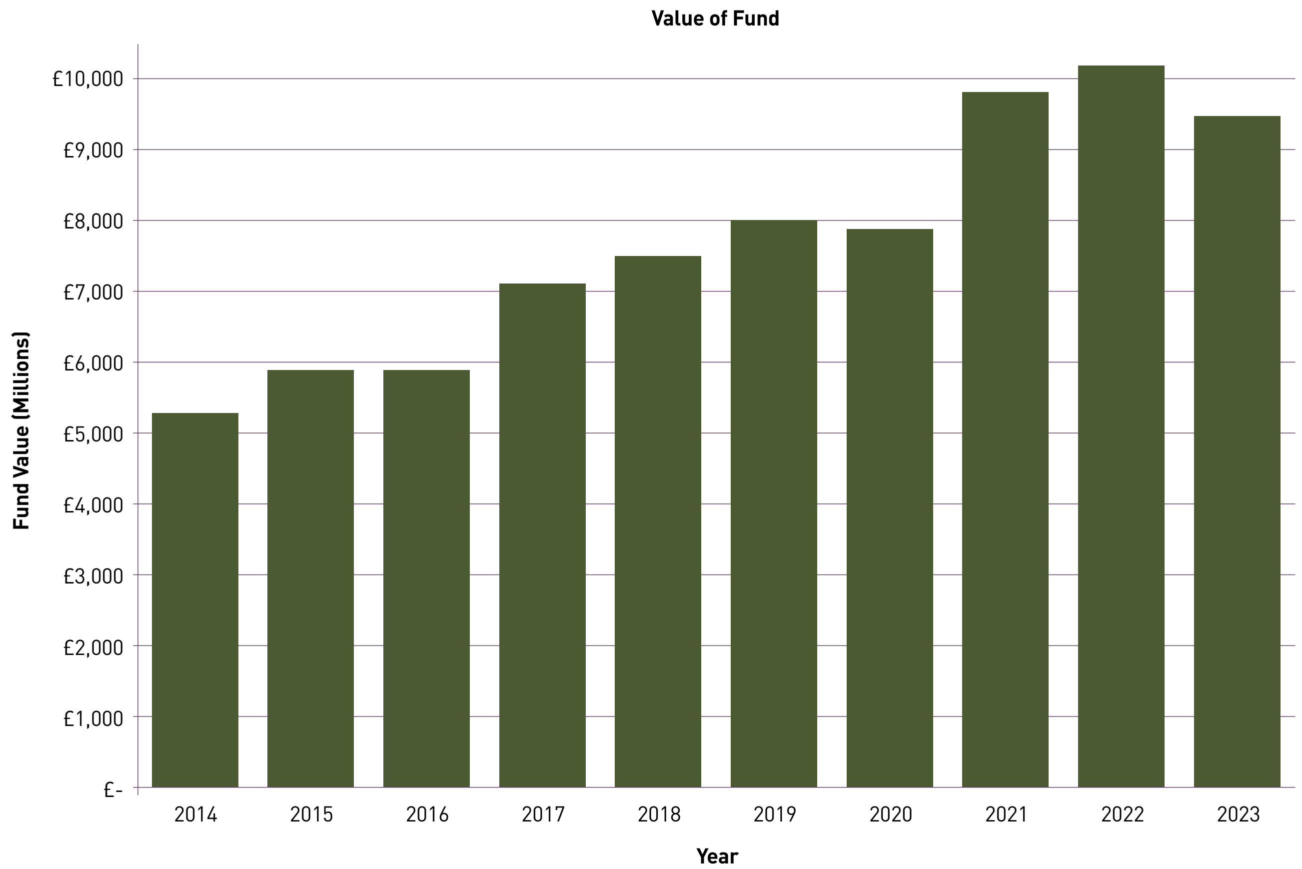


* Global Property returns for 31/12/2021 – 31/12/2022 as annual returns to 31/03/2023 not yet available.
SOURCE: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Credit), JP Morgan (Aggregate Global Bonds).

Fund Value

The value of the Fund at 31 March 2023 has decreased by £701m to £9.530bn (2021/22 £10.231bn) or –6.85% 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 132 to 133.



NILGOSC Investment Performance 2022/23

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 -2.61% on a three year basis and by -2.91% on a five year basis for the period ended 31 March 2023. The comparable statistics for the three and five year periods to 31 March 2023 on an annualised basis are set out in the following table:

	Three Years % p.a.	Five Years % p.a.
Return of Fund	6.58	4.67
CPI + 3.0%	9.19	7.58

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.

Performance across NILGOSC's investment mandates was mixed, as strategies responded differently to the volatile market conditions over the year.

It was a disappointing year for Baillie Gifford, one of NILGOSC's global equity managers. The Long Term Global Growth (LTGG) portfolio ended the year down -12.48% in absolute terms and -14.77% behind target. 2022/23 marks the second 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 two 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 2.14% 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. The portfolio continues to lag its target on a since-inception basis, but has delivered positive absolute returns of 3.40% for the year, outperforming its target by 1.67%. Given continued market volatility is expected, the mandate is well placed to demonstrate outperformance going into 2023/24.

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, with mixed performance across regions and geopolitical risks weighing on valuations. The portfolio underperformed over the period, lagging the target and index by -1.78% and -4.66% respectively. NILGOSC is not unduly concerned with short term volatility in investment returns, working to a long-term investment horizon, and therefore a more meaningful performance assessment can only be conducted over a longer time period. The manager remains focused on looking forward and identifying value creation opportunities going into 2023/24.

UK property had a difficult year, encountering significant valuation falls as the market adjusted to high inflation and rising interest rates. The core property portfolio, managed by LaSalle, underperformed its target for the year by -2.20%. Underperformance was driven by industrial and office assets, which saw steep capital declines over the year, however that was offset somewhat by retail assets which experienced strong income returns. The index-linked portfolio, also managed by LaSalle, returned -9.57% on an absolute return basis, underperforming its RPI-linked target over the year by -25.16%. Underperformance against the mandate's Retail Price Index (RPI) +2% target (in effect since 1 April 2022) was expected given the soar in inflation rates over the period, with RPI closing the period at a high of 13.5%. Additionally, as encountered by the core portfolio, market volatility resulted in significant falls in asset valuations, further driving underperformance.

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 2023, the mandate is fully committed, almost 86% drawn down and invested in 21 holdings across multiple geographies and sectors. Whilst undue focus shouldn't be placed on short-term performance, the portfolio has performed well to date, with performance returns of 8.20% over the year and 10.9% since inception; both well ahead of the 5-7% performance objective.

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 2021/22 the fund delivered a 3.57% absolute return, falling short of its target of a 6% absolute return. Despite moderate rental income growth, downward

valuations to reflect market pricing had an impact on capital returns over the period. The manager considers the portfolio to be well placed to weather further economic slowdown though, noting that increased rental demand will support occupancy levels.

As 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. 2022/23 was the first full year in which NILGOSC's passive equity holdings were 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, outperforming the target by 0.04%, reporting an overall absolute return of -12.3%. Although it was a volatile year for global equities, the poor return was primarily driven by -30.4% returns on 5-year index linked gilts, as market concern about inflation drove yields higher over the period.

The Multi-Asset Credit (MAC) and Absolute Return Bonds (ARB) managers were appointed in March 2019 meaning that five year performance is therefore not yet available. It was a difficult year for the managers, with the conflict in Ukraine, inflation volatility and multiple bank failures at the end of the period impacting the fixed income markets. Three of the four managers underperformed their targets. The MAC managers both delivered negative returns for the period. PIMCO's performance was disappointing with absolute returns of -6.49% (-1.75% behind target); and BlueBay's performance was only marginally better, with an absolute return of- 4.36% (-11.59% behind target). The ARB managers also experienced fluctuating performance, but on the whole, bonds performed more strongly than credit, with both managers delivering positive absolute performance over the year (T. Rowe Price: 0.60% and RLAM: 5.60%). T. Rowe Price underperformed its target with a relative return of -5.14%, while RLAM outperformed its target with a relative return of 0.76%.

During 2022/23, 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 and new infrastructure fund commitments as shown in the following table:

Infrastructure Fund Name	Committed Fund Currency	% Drawn down at 31 March 2023
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	72%
Antin Infrastructure Fund V*	€ 75,000,000	2%
Antin Infrastructure Mid Cap Fund I	€ 45,000,000	36%
Copenhagen Infrastructure Fund IV	€ 50,000,000	37%
DIF Infrastructure Fund V	€ 50,000,000	77%
DIF Infrastructure Fund VII*	€100,000,000	0%
iCON Infrastructure Fund VI*	$100,000,000	14%
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	83%
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	0%
Antin IV Co Investments – remaining commitment	€532,054	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	15%

* New commitments made during 2022/23

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, Antin III and Antin IV are fully invested, while Antin V, to which NILGOSC committed €75m in September 2022, is still fundraising - The Antin Mid Cap I fund, which invests in the same sectors as its predecessors, but with deal sizes limited to between €50 – 300m, is in the early stages of drawing down capital and making investments. During 2022/23, the CI IV fund, managed by Copenhagen Infrastructure Partners 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 is still fundraising, and has commenced making investments.

In May 2022, NILGOSC committed $100m to iCON Infrastructure Fund VI, a closed-ended fund with a focus on diversified brownfield infrastructure assets primarily in Europe and North America. 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 still in its investment period.

As part of its strategic theme of collaboration, NILGOSC continued to work together with likeminded investors in 2022/23 to co-invest in attractive infrastructure opportunities, allowing investors and their stakeholders to gain via benefits of scale and improved commercial terms. Over the period, a commitment of $20m was made to a co-investment in a renewables asset managed by DIF Capital Partners. NILGOSC often coinvests alongside Lothian Pension Fund (Lothian) and its partners.

However, in the year to 31 March 2023, NILGOSC did not enter into any new opportunities with Lothian, ending the year committed to eight co-investment infrastructure projects, totalling a commitment of £78.5m. A further £49.9m is committed to five infrastructure co-investment opportunities directly with Antin. It is intended that the co-investment strategy will sit alongside the core primary infrastructure funds to help NILGOSC build a diversified portfolio of assets in line with its strategic allocation to the asset class.

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

Responsible Investment

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

NILGOSC 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]."

Effective stewardship benefits companies, investors and the economy as a whole. In publicly listed companies, responsibility for stewardship is shared. The primary responsibility rests with the board of the company, which oversees the actions of its management; but investors in the company also play an important role in holding the board to account for the fulfilment of its responsibilities.

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. Engagement is a purposeful dialogue with companies on these matters, as well as on issues that are the immediate subject of votes at general meetings.

In July 2010, the FRC published the first version of the UK Stewardship Code (the 'Code'). In response, in September 2010, NILGOSC published its first UK Stewardship Code Statement of Adherence, which laid out how the Fund applied the Principles of the Code. Following the publication of a revision to the Code in September 2012, NILGOSC updated its Statement of Adherence and continued to be a signatory until the 2012 Code was discontinued. When the FRC began to assess signatories' Statements of Adherence in 2016, classifying signatories as 'Tier 1' or 'Tier 2', NILGOSC was assessed as a Tier 1 signatory.

The tiering distinguished between signatories who reported well and demonstrated their commitment to stewardship (Tier 1), and those to whom reporting improvements were needed. As well as striving for overarching adherence at a Fund level, NILGOSC also required its appointed investment managers share copies of their Statements of Adherence to the Code.

The UK Stewardship Code was substantially revised in 2019 and the new UK Stewardship Code 2020 took effect from January 2020. The new Code focuses on the activities and outcomes of stewardship, rather than only policy statements. 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 asset managers. NILGOSC prepared its first annual Stewardship Report, covering the 12 month-period ending 30 June 2021, and was pleased to have met the FRC's expected standard of reporting. In September 2022, NILGOSC was listed as a signatory to the UK Stewardship Code.

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 environmental, social or governance (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 2023 is shown in the following table:

	Europe	North America	Rest of World
Annual General Meetings	14	77	62
Other Meetings	0	6	46
Resolutions	280	1105	950
Votes For Management	206	537	618
Votes Against Management	74	568	332

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 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 2022/23, NILGOSC issued engagement letters to 13 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 mandatory reporting using the PRI reporting framework. Due to an extensive review and redesign of the framework, there was no reporting cycle in 2022, although NILGOSC will resume reporting against the Principles for the year ending 31 March 2023, when the next reporting cycle opens in June 2023. NILGOSC is an inaugural member of the Occupational Pensions Stewardship Council (OPSC), which launched in July 2021. Established by the Department for Work and Pensions (DWP) in response to the Asset Management Taskforce's 2020 recommendation that a 'dedicated council of UK pension schemes should be established to promote and facilitate high standards of stewardship of pension assets', the OPSC aims to provide schemes with an independent forum for sharing experiences, best practice and research, as well as providing practical support.

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

During the year, NILGOSC endorsed Advance, a stewardship initiative launched by the PRI for institutional investors to work together to take action on human rights and social issues. Investors use their collective influence with companies and other decision makers to drive positive outcomes for workers, communities and society.

NILGOSC also participates in: the UK Pension Scheme Responsible Investment Roundtable, a collective group of public and private sector UK pension funds who work together to promote responsible investment; as well as 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.

In December 2015, the Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. In 2017, the TCFD released its climate-related financial disclosure recommendations. NILGOSC considers the disclosure of climate risks and opportunities to be essential if shareholders are to determine whether the companies in which they invest are adequately addressing the changing climate, and therefore actively supports the TCFD recommendations. NILGOSC voluntarily reports against TCFD, publishing its second annual TCFD-aligned report in December 2022. 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 European membership body for investor collaboration on climate change. IIGCC represents over 400 members with €60tn in assets. NILGOSC is also a signatory of Climate Action 100+, an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change, which, after its launch in 2017, quickly emerged as one of 12 key global initiatives to tackle climate change. The 166 companies targeted for engagement are critical to the net-zero emissions transition, currently accounting for up to 80% of global corporate industrial greenhouse gas emissions.

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

- signing the 2022 Global Investor Statement to Governments on the Climate Crisis;
- signing an Investor statement calling for stronger alignment of regulatory and standard-setting efforts around sustainability disclosure;
- renewing its commitment to CDP (formerly the Carbon Disclosure Project), signing up to their 2023 Climate Change, Forests and Water programmes. NILGOSC supports the CDP's work to improve the management of environmental risk by encouraging listed companies to measure and disclose environmental information, which it does by issuing annual questionnaires on behalf of its investor signatories, requesting standardised climate change, water and forest information;
- participating in CDP's 2022 Non-Disclosure campaign, which aimed to engage with previously non-disclosing companies. The campaign focused on companies that had not responded to the CDP questionnaire in recent years, or had never responded. In March 2023, NILGOSC renewed its support, signing up to the 2023 Non-Disclosure campaign; and
- joining the CDP's 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.

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

	2022/23 £'000	2021/22 £'000	2020/21 £'000	2019/20 £'000	2018/19 £'000
Income					
Contributions received and transfers in	348,495	310,277	295,731	318,645	287,224
Investment income	153,311	132,066	131,877	148,974	97,279
Benefits paid					
Retirement pensions	(232,220)	(217,129)	(209,197)	(198,821)	(186,314)
Lump sum retirement benefits	(61,374)	(53,644)	(45,127)	(59,525)	(56,408)
Death benefits and leavers	(15,963)	(12,910)	(11,253)	(10,305)	(12,562)
Other expenditure					
Administration expenses	(6,247)	(5,527)	(5,061)	(5,268)	(5,545)
Investment management expenses	(26,846)	(25,720)	(25,473)	(23,580)	(18,472)
Net Assets					
Net Assets	9,529,901	10,231,058	9,795,486	7,877,906	8,039,944
Change in market value of investments	(866,920)	304,493	1,788,901	(332,354)	385,094

Membership Statistics	2022/23	2021/22	2020/21	2019/20	2018/19
Active members	80,703	73,960	70,881	68,153	61,513
Deferred members	36,911	34,222	31,698	32,316	31,646
Current pensioners of whom:	43,315	41,557	39,913	38,579	36,788
Retired Employees	37,162	35,553	33,980	32,752	31,090
Widows/widowers/dependants	6,153	6,004	5,933	5,827	5,698
Total	160,929	149,739	142,492	139,048	129,947

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 in 2022/23 reflects higher than typical pay awards in 2022 and 2023 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 marked growth in 2019/20 reflects the full year impact of the strategic move in March 2019 out of equities to fixed income. The absolute return bonds and multi-asset credit mandates contributed to the material increase in fixed interest income from 2019/20. The drop in UK equities income following the termination of two UK equities mandates late in 2020/21 was compensated by the uplift in fixed interest income and distributions from a global property fund (categorised as a Pooled investment vehicle). As this fund is 86% drawn down, the full year impact of this fixed interest income stream has contributed to the 16% uplift in investment income in 2022/23. Interest income from NILGOSC cash deposits contributed to the 2022/23 overall increases as financial institutions passed on favourable deposit rates.

While asset valuations in equities and fixed income securities have fallen, income received in 2022/23 did not follow the same pattern. The derating of assets is set against increases in revenue and reduction in debt levels which has had a positive, if possibly short -lived, impact on investment income in 2022/23.

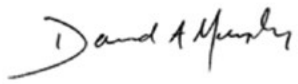
Retirement pension payments continue to grow in line with the increase in the number of pensioners and also the annual pensions increase applicable in April each year.

Lump sum retirement benefits increased significantly in 2018/19 and 2019/20 as a result of the increase in retirement activity through public sector voluntary exit schemes (VES). Demand for quotations and subsequent retirements dropped significantly during the early stages of the pandemic. Figures for 2020/21 indicate that early retirement activity was paused based on the increased retirement activity recorded in 2021/22 and 2022/23. 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 four years from 2018/19 to 2021/22 after adjustments for one-off employing authority debt write-off (2018/19) and material non-cash actuarial adjustments for IAS 19 current service pension. (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 in 2022/23, is consistent with a pay settlement that was above average for recent years 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 the triennial actuarial valuation and a material increase in non-cash related amortisation for the commencement of a licence fee renewal for the pension administration platform.

The material increase in investment management expenditure from 2019/20 reflects the annual impact of the move from equities to fixed income mandates from March 2019. The 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.



David Murphy
Chief Executive and Secretary

30 August 2023

Accountability Report

CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

CHIEF EXECUTIVE'S REPORT

Chief Executive and Secretary

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

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

Committee Members

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

The Committee members are appointed by the Minister for Communities for a four year term and may be reappointed for a second four year term at the Minister's discretion. The following table shows the composition and term of office of Committee members during 2022/23.

	Term of Office	
Lindsay Todd (Chair)	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 initial term of office for Lindsay Todd and Mark McBride expired shortly after the year end. Whilst the Department has indicated its intention to reappoint both members for a second term, this remains pending.

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

Chair

Mr Lindsay Todd OBE

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

Committee Members

Employee Representatives

Mr Kenneth Clayton

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

Mr Paul Francey

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

Mr Alan Law

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

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

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 2023, no data incidents were assessed as reportable in line with the guidance and six 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 2023

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 2023 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 2022/23

NILGOSC is a non-departmental public body (NDPB) sponsored by the Department for Communities ("the Department"). NILGOSC has worked with the Department during 2022/23 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 2023.

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. As at 31 March 2023, the Management Committee was at full complement. On 30 April 2023, the term of office of the Chairperson and a Committee member expired. Both members are eligible for re-appointment, however, as at the date of the signing of the Accounts neither had been re-appointed. In the absence of a local minister the appointment rests with the Secretary of State.

Details on terms of membership are set out in the Chief Executive's Report on page 64. 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 eight times during 2022/23. The Audit & Risk Assurance Committee, the Staffing Committee and the IDRC also met four times during the year. A schedule of membership and attendance for the year is shown in the following table:

	Management Committee		Audit & Risk Assurance Committee		Staffing Committee		Internal Dispute Resolution Committee	
	Called	Present	Called	Present	Called	Present	Called	Present
Lindsay Todd	8	8	-	-	-	-	-	-
Joan McCaffrey	8	7	4	3	-	-	4	3
Mark McBride	8	7	4	4	-	-	-	-
Antoinette McMillen	8	8	4	3	-	-	-	-
Paul Francey	8	6	-	-	4	3	-	-
JJ Tohill	8	7	-	-	4	4	-	-
Michael Rafferty	8	8	4	3	-	-	-	-
Shane McCurdy	8	7	-	-	4	3	-	-
Peter Moore	8	8	-	-	-	-	4	4
Kenneth Clayton	8	8	-	-	-	-	4	4
Alan Law	8	8	-	-	4	4	-	-
Heather McKinstry	8	7	-	-	-	-	4	3
Derek McCallan	8	8	-	-	-	-	4	4
Average % Attendance		**93.3%**		**81.3%**		**87.5%**		**90%**

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 2023 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 2022/23 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 scheduled for April 2024.

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 2022/23 which were managed in line with the Conflicts of Interest Policy.

4. Compliance with the 'Corporate Governance in Central Government Departments: Code of Practice NI 2013'

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 to report breaches that are likely to be of material significance to TPR. NILGOSC assesses any potential breaches in line with its Breach Reporting Procedure. In 2022/23 NILGOSC considered that no breaches were of material significance to TPR, so no breaches were reported to TPR during the reporting period.

On 17 March 2021, TPR issued its new draft Code of Practice for consultation. TPR plans to replace its existing codes of practice, including Code of Practice 14 for public sector pension schemes, with this single code, which will be web-based. NILGOSC submitted a response to the consultation, which closed on 26 May 2021. NILGOSC has undertaken a gap analysis for compliance against the new and/or revised requirements for public sector pension schemes based on the draft Code but the final version has not yet been published. It was expected that TPR would lay the Code before Parliament by 31 March 2023 but this has not materialised. To be effective in Northern Ireland, the Code will need laid before the Northern Ireland Assembly.

5. Departmental Approvals

In line with the DoF Pay Remit approval process NILGOSC received approval for the contractual element of the 2022/23 pay remit on 1 February 2023. In December 2022, the Committee also approved an increase in all salaries with the exception of the Secretary by 2 pay points. The proposal is intended to align NILGOSC's salaries with the wider local government sector. Departmental pay remit approval is required but has not yet been provided.

NILGOSC received approval from the Department of Finance on 19 June 2023 for the write-off of bad debts. These write-offs are detailed in the Assembly Accountability Report on page 86.

In line with the Management Statement the Department approved NILGOSC's Aims and Objectives for 2022/23.

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

This has caused some operational difficulties for NILGOSC, which have been raised and discussed by the SMT and communicated onwards to the Department. The Department has issued three derogations to date to either aid the achievement of value for money or improve efficiency. In February 2022, the Committee requested that Internal Audit undertake independent analysis of NILGOSC's procurement arrangements with CPD. The findings of the review were presented to the Committee in December 2022 and the results were shared with the Department.

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 2022/23. A dedicated risk owner is assigned at management level to each risk to provide clear lines of accountability across the organisation. Risk owners review the risks that have been assigned to them on a quarterly basis and submit a Statement of Assurance to confirm that the existing controls are still effective and whether or not the risk score needs to be re-assessed. The SMT considers these Statements during its quarterly review of the risk register and makes changes to the risk scores, if necessary. A report and any revisions to the risk register are considered by the ARAC prior to submission to the Management Committee for approval.

The outcome of the quarterly risk reviews is also used to inform completion of Departmental Assurance Statements. As required, NILGOSC completed and submitted its Assurance Statements for the 6 months ended 30 September 2022 and 31 March 2023.

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 2022/23 annual risk review, no new and emerging risks were added to the risk register and one risk was removed from the risk register. The ARAC reviewed the risk register 2022/23 at its meeting on 31 May 2022, which was subsequently approved by the Management Committee on 20 June 2022.

The annual review for 2023/24 was carried out on 25 April 2023. The review included consideration of challenges facing NILGOSC in 2022/23, including the external political environment and lingering effects of the COVID-19 pandemic, the expansion of NILGOSC's responsible investment activities, the impact of the difficulties in recruiting and retaining staff and reliance on key personnel for key processes, regulatory changes, including the impact of the McCloud judgment, ongoing projects and new systems to enhance business processes and other increasing demands on the organisation e.g. litigation. All existing risks were reviewed, and risk scores amended as appropriate.

As a result of the review, the one COVID-19 related risk was removed from the risk register on the basis that pandemic related restrictions no longer exist. One new risk was added to the risk register to address the potential financial and administrative ramifications arising from the ongoing McCloud 'injury to feelings' litigation. The 2023/24 risk register contains 51 risks in total, nine of which have been categorised as strategic and six of which have a "red" risk status.

Despite the challenges staff recruitment and retention placed on the organisation, NILGOSC continued to operate and provide a full and effective service to its members and pensioners throughout the last 12 months. Looking forward to 2023/24, NILGOSC will continue to have several challenges to manage as detailed above, particularly with the additional administrative burden as a result of the McCloud judgment and related litigation. 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 2022/23 annual business continuity test assessed both the current backup and replication routines in place, in addition to infrastructure availability. The outcome of the test was successful, including the ability to process monthly pensioner and payroll processes remotely.

In December 2020, NILGOSC initially signed up to take part in 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 February 2022 and accredited for the third consecutive year with Cyber Essentials Plus on 21 March 2023.

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 2023 and reaffirmed that the security posture in NILGOSC is mature and effective.

6.2 Fraud and Whistleblowing

NILGOSC participates in the National Fraud Initiative's (NFI) biennial data matching exercises for the purposes of assisting in the prevention and detection of fraud. NILGOSC took part in the NFI 2022/23 data matching exercise. Matches were received in January 2023 and investigated. One case of suspected fraud was identified through the exercise. NILGOSC is pursuing recovery of this overpayment and an update in relation to the NFI exercise is provided in the Performance Report on page 26.

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 2022/23, one new case of suspected fraud was reported in line with the Policy. In December 2022 monies were recouped for a previously reported fraud and the case was resolved.

There was one concern raised through NILGOSC's Raising Concerns Policy during 2022/23 and no further action was required as a result of this concern.

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.

Six minor personal data incidents or potential breaches were identified in 2022/23. 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 2022/23 is provided in the Accountability Report on page 68.

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 2022/23 are set out below:

- Conflicts of Interest Policy and advice on Conflicts of Interest
- Management Committee Terms of Reference
- Audit and Risk Assurance Committee Terms of Reference
- Review of the operation of the IDRC
- Code of Conduct for Committee members
- Annual Equality Statement
- ESG Governance
- Investment in iCON Infrastructure Partners VI Fund
- Annual Report of the Staffing Committee
- Selection and appointment of a Global Property Fund Manager
- Selection and appointment of Global Value Equity Fund
- Selection and appointment of a Global Custodian
- Anti-Bribery Policy
- Grievance Policy
- Policy Statement on Employer's Discretions
- Staff Code of Conduct
- Disciplinary Policy
- Capability Policy
- Funding Strategy Statement
- Performance Assessment of Investment Advisors
- Actuarial Valuation 2022
- Extension of Contract for Internal Audit Service
- Climate Related Disclosures Report
- ASM's Independent Analysis of NILGOSC's Procurement Arrangements with CPD
- Objectives for Investment Consultants

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 2022/23 are set out in its Annual Report, which is provided on pages 136 to 138 of this report.

The ARAC undertakes an annual review of its effectiveness. The review undertaken for 2022/23 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 2022/23 demonstrated that, overall, the Committee is set up and operates effectively in the key areas set out above and that effective processes are in place to ensure robust monitoring of NILGOSC and its performance.

7.3 Provision of Information and Data to the Committee

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

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

Each report has an executive summary that summarises the key issues and meeting papers are issued one week in advance of each meeting. During its review of effectiveness in 2022/23, all Committee members agreed that they are provided with key Scheme and corporate documents.

The Committee reviews its information requirements on a regular basis. Since 2013, the Committee has had electronic access to its meeting papers and has confirmed its satisfaction with this approach. A Committee Handbook section is also included 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 me as Accounting Officer. In addition, Internal Audit provides an annual written statement to the ARAC, setting out a formal opinion on the adequacy and effectiveness of NILGOSC's risk management, control, and governance processes.

In their Annual Assurance Statement, the Internal Auditors stated that, during the twelve month period ended 31 March 2023, 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 starting on page 136. 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 2023.

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 2022/23.

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 NIAO issued an unqualified audit opinion for the year ended 31 March 2023.

The audit opinion for the year ended 31 March 2023 is included on pages 88 to 91.

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 2023 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 2022/23 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 Murphy

Chief Executive and Secretary

30 August 2023

Accountability Report
REMUNERATION AND STAFF REPORT

INTRODUCTION

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

REMUNERATION REPORT

Remuneration Policy

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

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

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

Service Contracts

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

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

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

Salary and Pension Entitlements

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

Senior Management Remuneration and Pension Entitlements (audited)

	2022/23				2021/22			
Officers	**Salary**	**Benefits in Kind**	**Pension Benefits**	**Total**	**Salary**	**Benefits in Kind**	**Pension Benefits**	**Total**
	£	£	£	£	£	£	£	£
David Murphy Chief Executive and Secretary	95,001-100,000	-	(40,546)	55,001-60,000	95,001-100,000	-	14,909	110,001-115,000
Nicola Todd Deputy Secretary	85,001-90,000	-	(15,102)	70,001-75,000	80,001-85,000	-	17,437	100,001-105,000
Band of Highest Paid Employee's								
Total Remuneration	£95,001 – £100,000				£95,001 – £100,000			
% Increase	1.99%				1.75%			
Range of Staff Remuneration	£21,500 - £100,000				£18,500 - £100,000			

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 2022/23. The CPI increase for September 2022 was 10.1%.

The in-service revaluation rate for CARE was also 10.1%. As expected in 2022-23, the increase in pension is not sufficient to offset the inflation increase therefore the pension value has reduced, hence the negative values recorded in the table above.

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

	2022/23		2021/22	
Chair	**Salary**	**Benefits in Kind**	**Salary**	**Benefits in Kind**
	£	£	£	£
Lindsay Todd	14,667	-	14,727	-

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 2022/23 was £95,001-£100,000 (2021/22 £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.

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

2021/22	25th Percentile	Median	75th Percentile
Total renumeration (£)	23,023	25,419	32,798
Pay Ratio	4.23:1	3.84:1	2.91:1

The ratios for 2022/23 as compared to 2021/22 indicate a reduction in the ratio across the three quartile bands which would be expected as the NJC pay award settlement for 2022/23 was a flat increase of £1,925 across all pay scales with the highest percentage increases 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:

	2022/23	2021/22
Committee Members	**£**	**£**
Joan McCaffrey	4,250	4,000
Mark McBride	4,250	4,500
Paul Francey	2,750	4,250
JJ Tohill	4,500	3,750
Michael Rafferty	3,750	4,500
Antoinette McMillen	3,750	3,250
Peter Moore	4,000	2,500
Shane McCurdy*	6,250	1,000
Alan Law	4,250	4,250
Kenneth Clayton	4,250	3,250
Derek McCallan	3,750	3,750
Heather McKinstry	4,500	2,750

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

Pension Benefits (audited)

Officers	Accrued Pension and Related Lump Sum at Age 65 as at 31/03/23	Real Increase in Pension and Related Lump Sum at Age 65	CETV at 31/03/23	CETV at 31/03/22	Real Increase in CETV
	£	£	£	£	£
David Murphy Chief Executive and Secretary	45,001-50,000 plus lump sum of 55,001-60,000	(2,500)-0 plus lump sum of (5,000) - (2,501)	789,000	729,000	(24,000)
Nicola Todd Deputy Secretary	25,001-30,000 plus lump sum of 20,001-25,000	(2,500)-0 plus lump sum of (2,500)-0	419,000	380,000	(7,000)

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

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

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

Cash Equivalent Transfer Values

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

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

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

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer. The real increase in CETV and pension benefits accrued can be negative, i.e. there can be a real decrease. This happens when inflation is higher than pay increases, which is the case in 2022-23 (10.1% inflation -v- 2.0% salary increase).

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). At this stage allowance has not yet been made within CETVs for this remedy.

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	2022/23 Total	2021/22 Total
	£'000	**£'000**	**£'000**	£'000
Wages and salaries	**2,676**	**72**	**2,748**	2,365
Social security costs	**258**	**7**	**265**	206
Other pension costs	**1,160**	**14**	**1,174**	1,231
Total	**4,094**	**93**	**4,187**	3,802

Average number of persons employed:

	Permanently employed staff	Others	2022/23 Total	2021/22 Total
Directly employed	**78**	**2**	**80**	76
Total	**78**	**2**	**80**	76

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 is more reflective of recruitment challenges following a larger than typical number of leavers in 2021/22. Recruitment challenges, particularly for finance, procurement and a senior governance position, have continued into 2022/23 but the large number of vacant pensions administration posts at the end of 2021/22 were filled early in 2022/23.

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 2022/23: £646k (2022: £773k).

For 2022/23, employers' contributions were payable to the NILGOSC Scheme at 19.5% of pensionable pay. The Scheme's Actuary reviews employer contributions every three years following a full scheme valuation. The valuation as at 31 March 2019 set the contributions to be paid until 31 March 2023 at a rate of 19.5%.

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 2023 and 31 March 2022 on a whole-time equivalent basis is provided in the following table:

			31/3/23			31/3/22
	Male	**Female**	**Total**	Male	Female	Total
Secretariat	**1**	**1**	**2**	1	1	2
Senior Managers	**1**	**4**	**5**	-	5	5
All Other Emplyees	**22**	**50**	**72**	25	48	73
Total	**24**	**55**	**79**	26	54	80

Sickness Absence

The average number of days lost to sickness absence by all staff in 2022/23 was 9.0 days (2021/22: 11.1 days).

Staff Turnover

The staff turnover rate in NILGOSC during 2022/23 was 28.74% (2021/22: 20.24%).

The year end rolling average is down from a high of 31.25% at the end of 2022. The sustained high turnover level is believed to be related to a disparity between NILGOSC pay grade and those of equivalent organisations, both private and public sector. NILGOSC has developed pay proposals to help address the disparity within local government however these were unable to be implemented in 2022/23 as Departmental pay remit approval remains outstanding. In addition NILGOSC will be undertaking a formal job evaluation exercise in 2023/24 in an effort to further address ongoing recruitment and retention challenges.

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.

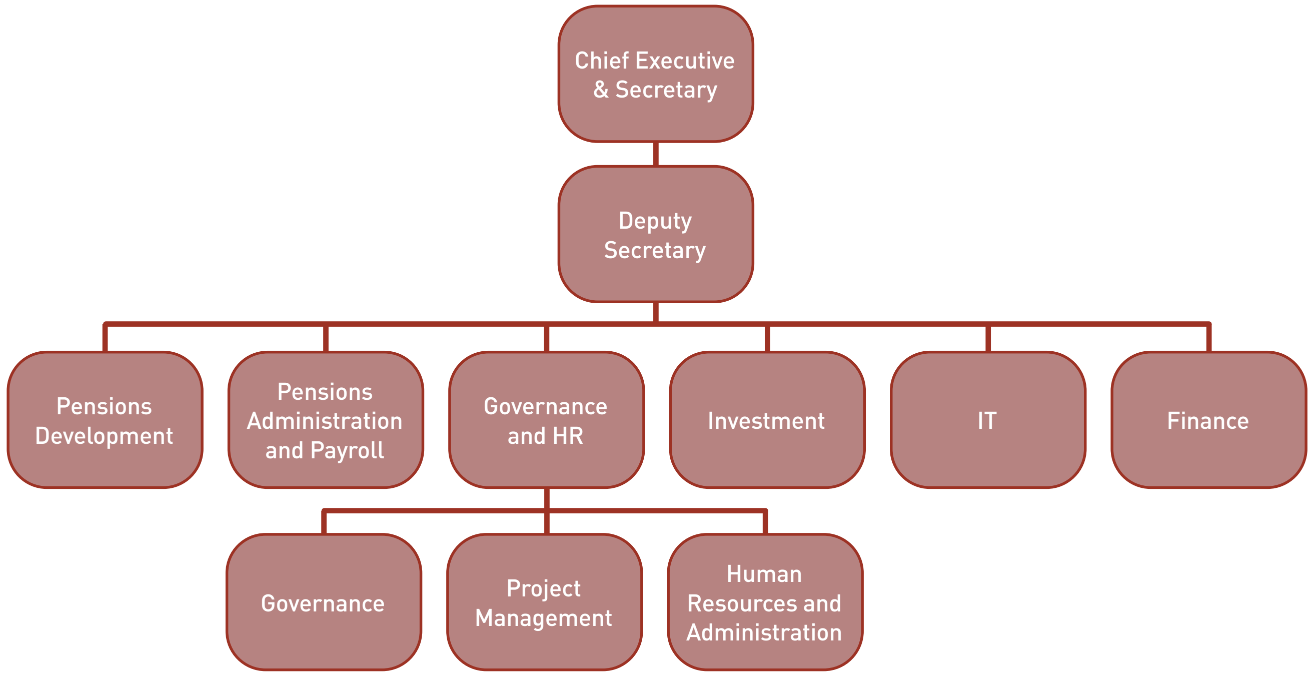
It is also NILGOSC's policy to make all reasonable adjustments to support the employment, training and development and retention of those with a disability. NILGOSC's commitment to the promotion of equality of opportunity and diversity within its workforce is reflected across all of its staff policies.

Expenditure on consultancy

There was no expenditure on consultancy services during 2022/23 (2021/22: nil).

Staff

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



NILGOSC recognises that one of its greatest assets is its professional and experienced staff and is committed to developing every employee to their full potential. NILGOSC recognises the Northern Ireland Public Service Alliance (NIPSA) as its Trade Union and all members of staff have the right to join should they wish to do so.

Staff Development

Training and development of staff is a key priority for NILGOSC and in 2022/23 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.

Despite the higher than average staff turnover in 2022/23, much of the specialised pension training has been provided in-house.

This together with an increase in the provision of virtual training with 'live' and recorded sessions available online has meant that an expected post pandemic increase in training and development costs did not materialise during the year.

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 2022/23 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 £6,012 (2021/22: £9,212) This figure reflects pensioner overpayments as a result of death which are not considered recoverable.

A suspected pension payroll fraud of £10,017, related to the unreported death of a member, was detected during 2022/23 (2021/22: £9,737). This case was reported to the Department for Communities on 14 February 2023 and is currently the subject of a criminal investigation. This debt has been provided for in 2022/23, while NILGOSC continue to pursue recovery through the civil courts.

Bad debts written off during the year total £859,110 (2021/22: £1,081,072). This write-off relates to irrecoverable investment property rental debt on a 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 19 June 2023.

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 2022/23 (2021/22: 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 2023 (2021/22: no remote contingent liabilities).

David Murphy
Chief Executive and Secretary

30 August 2023

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 ("the Scheme") for the year ended 31 March 2023 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 2023 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 this certificate. My staff and I are independent of the Scheme 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 the Scheme'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 the Scheme 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 Management Committee and the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

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

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

I have nothing to report in this regard.

Opinion on other matters

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

- the parts of the 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 Department for Communities (DfC) directions issued thereunder; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Statement about contributions payable

In my opinion the contributions payable to the Scheme during the year ended 31 March 2023 have in all material respects been paid in accordance with the rules of the Scheme and with the recommendations of the actuary.

Matters on which I report by exception

In the light of the knowledge and understanding of the 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 Management Committee and Accounting Officer for the financial statements

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with the applicable financial reporting framework;
- such internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or 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 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 governing legislation and any other relevant laws and regulations identified;
- 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; and

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

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

Report

I have no observations to make on these financial statements.

Colette Kane

Colette Kane
Local Government Auditor

Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU

1 September 2023

Financial Statements

FUND ACCOUNT

Year ended 31 March 2023

	Note	2022/23 £'000	2021/22 £'000
Contributions and benefits			
Contributions receivable	4	**340,593**	302,292
Transfers in		**7,902**	7,985
		348,495	310,277
Benefits	5	**(303,165)**	(279,227)
Payments to and on account of leavers	6	**(6,392)**	(4,455)
Administration expenses	7	**(6,247)**	(5,527)
		(315,804)	(289,209)
Net additions from dealings with members		**32,691**	21,068
Return on investments			
Investment income	8	**153,311**	132,066
Change in market value of financial investments	9	**(732,771)**	213,412
(Losses)/gains arising from changes in fair values of investment properties	10	**(134,149)**	91,080
Investment management expenses	11	**(26,846)**	(25,720)
Net return on investments		**(740,455)**	410,838
Net (decrease)/increase in the Scheme during the year		**(707,764)**	431,906
Remeasurement gains on the retirement benefit obligation	18	**6,607**	3,666
		6,607	3,666
Opening net assets of the Scheme		**10,231,058**	9,795,486
Closing net assets of the Scheme		**9,529,901**	10,231,058

The notes on pages 96 to 130 form part of these financial statements.

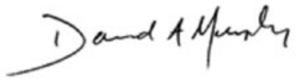
NET ASSETS STATEMENT

As at 31 March 2023

	Note	2022/23	2021/22
		£'000	£'000
Non-current assets			
Financial assets	9	**8,879,603**	9,397,271
Investment properties	10	**619,405**	792,300
Intangible assets	12	**610**	182
Property, plant and equipment	13	**1,256**	1,338
Revaluation reserve	14	**(7)**	(110)
Total non-current assets		**9,500,867**	10,190,981
Current assets			
Trade and other receivables	15	**49,119**	56,709
Cash and cash equivalents	16	**8,393**	15,918
Total current assets		**57,512**	72,627
Total assets		**9,558,397**	10,263,608
Current liabilities			
Trade and other payables	17	**(28,478)**	(26,739)
Total current liabilities		**(28,478)**	(26,739)
Non-current assets plus net current assets		**9,529,901**	10,236,869
Non-current liabilities			
Retirement benefit obligations	18	**-**	(5,811)
Total non-current liabilities		**-**	(5,811)
Total net assets of the Scheme		**9,529,901**	10,231,058

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 132 to 133 and these financial statements should be read in conjunction with it.

The notes on pages 96 to 130 form part of these financial statements.



David Murphy
Secretary
30 August 2023

STATEMENT OF CASH FLOWS

For the Year Ended 31 March 2023

	2022/23		2021/22	
	£'000		£'000	
Cash flows from operating activities				
Net (decrease)/increase in the Scheme during the year	**(707,764)**		431,906	
Adjustments for non-cash transactions				
Change in market value of investments and losses/(gains) arising from changes in fair value of investment properties	**866,920**		(304,492)	
Depreciation/amortisation	**254**		169	
IAS 19 pension cost less contributions payable	**796**		956	
(Gain)/Loss on revaluation of property, plant & equipment	**-**		(29)	
Adjustments for movements in working capital				
Decrease/(Increase) in trade and other receivables	**7,590**		(4,521)	
Increase in trade and other payables	**1,739**		4,409	
Net cash inflow from operating activities		**169,535**		128,398
Cash flows from investing activities				
Purchase of property, plant & equipment and intangible assets	**(703)**		(143)	
Purchase of investment properties	**(4,685)**		(11)	
Purchase of investment assets	**(18,218,484)**		(11,419,049)	
Proceeds of disposal of investment properties	**43,431**		14,146	
Proceeds of disposal of investment assets	**18,003,381**		11,282,637	
Net cash outflow from investing activities		**(177,060)**		(122,420)
Net increase/(decrease) in cash and cash equivalents		**(7,525)**		5,978
Cash and cash equivalents at the beginning of the year		**15,918**		9,940
Cash and cash equivalents at the end of the year		**8,393**		15,918

The notes on pages 96 to 130 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2023

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 2022/23 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. Accounting standards, interpretations and amendments to published standards adopted year ended 31 March 2023

IFRS 16 'Leases' became effective for public sector entities for annual periods on or after 1 April 2022. This 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 reviewed HM Treasury application guidance for this new standard issued January 2023 and, in consideration of the requirements of IAS 1 *Presentation of Financial Statements*, it 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.

The Committee has reviewed the accounting standards, interpretations and amendments to published standards that became effective during 2022-23 and which are relevant to the Fund's operations. The adoption of these standards has not had a significant impact on the financial position or results of the Fund.

1.3. 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 94, 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.

1.4. 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 2022/23.

2.7. Investment management expenses (continued)

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

2.11. Investment properties

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

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

2.12. Intangible assets – software intangibles

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

2.13. Property, plant and equipment

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

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

2.14. Depreciation of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated Useful Economic Life (UEL).

2.14. Depreciation of property, plant and equipment (continued)

Property assets have a UEL of 25 years, plant and equipment have a UEL of 5 years and computer equipment a UEL of 3 years.

2.15. Financial instruments

(i) Recognition and initial measurement

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

(ii) Classification

Financial assets

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

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

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

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

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

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

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

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

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

Financial liabilities

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

(iii) Subsequent measurement

Subsequent measurement details are set out in the following table:

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: *Debt securities; equity investments; investments in infrastructure funds; investments in unlisted private equities; and derivative financial instruments*
Financial assets at amortised cost	Subsequently measured at amortised cost using the effective interest method less any impairment losses. These instruments include: *Cash and cash equivalents, trade and other receivables*
Financial liabilities at amortised cost	Subsequently measured at amortised cost using the effective interest method. These instruments include: *Trade and other payables*

(iv) Fair value measurement

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

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

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

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

(v) Amortised cost measurement

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

(vi) Impairment

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

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

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

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

(vii) Derecognition

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

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in the Fund Account.

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

2.16. Foreign currencies

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

2.17. Retirement benefit obligations

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

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.

2.18. Actuarial present value of promised retirement benefits

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

2.18. Actuarial present value of promised retirement benefits (continued)

The actuarial position of the Scheme, which does take account of such obligations is dealt with in Note 20 on page 128 and the Actuarial Statement on pages 132 to 133. The actuarial present value of promised retirement benefits, valued on a basis consistent with IAS 19, is disclosed in Note 20 of these financial statements.

2.19. Use of estimates and judgements

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

Management has considered all information currently available and concluded that the valuations provided by third party experts as at 31 March 2023 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.

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 co-terminus with the Scheme year end) and as such may differ from estimated amounts.

2.20. 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 2023/24 accounting period. HM Treasury have reviewed to ensure that any relevant public sector adaptations or interpretations are adequately

IFRS 17 Insurance Contracts became effective on 1 January 2023 without adaptation. NILGOSC does not fall within scope 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 93 and the Net Assets Statement on page 94.

4. Contributions Receivable

	2022/23 £'000	2021/22 £'000
Employers		
normal	**255,609**	224,506
deficit recovery	**2,671**	2,603
early retirement funding *	**1,845**	4,053
special contributions **	**1,519**	184
employers' surplus on exit ***	**(1,801)**	-
Employees		
normal	**80,750**	70,946
	340,593	302,292

* 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.

*** Following the 2022 triennial actuarial valuation two employers who had previously been closed to new members elected to exit the Scheme. Favourable gilt rates at the date elected to exit meant both employers were in a net surplus with respect to pension obligations and this surplus was paid from the Fund on cessation.

5. Benefits

	2022/23 £'000	2021/22 £'000
Pensions *	**232,220**	217,129
Commutations and lump sum retirement benefits	**61,374**	53,644
Lump sum death benefits	**9,571**	8,454
	303,165	279,227

* In addition, £3,882k of compensation pensions were paid on an agency basis and recharged to employing authorities (2021/22: £3,940k). 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

	2022/23 £'000	2021/22 £'000
Refund to members leaving service	**1,152**	1,141
Payment for members joining state scheme	**(2)**	(2)
Transfers to other schemes	**5,242**	3,316
	6,392	4,455

7. Administration expenses

	2022/23 £'000	2021/23 £'000
Staff costs	**4,187**	3,802
Office overheads	**897**	812
Depreciation and amortisation (notes 12 & 13)	**254**	169
Communication	**165**	168
Other administration	**194**	157
Templeton House revaluation (note 14)	**-**	(29)
Actuarial fees	**108**	38
Internal audit fees	**27**	26
External audit fees	**36**	35
Legal and other professional fees	**140**	89
Medical fees	**89**	85
IAS19 net interest cost (note 18)	**150**	175
	6,247	5,527

8. Investment income

	2022/23 £'000	2021/22 £'000
Interest income from fixed income securities	**83,134**	74,108
Dividends from equities	**17,168**	13,181
Index linked securities	**1,625**	929
Derivatives *	**(7,753)**	(1,359)
Pooled investment vehicles	**10,895**	6,478
Infrastructure/private equity investment distributions	**4,008**	3,235
Net rents from properties	**34,480**	35,520
Interest on cash deposits	**9,579**	(550)
Stock lending income	**957**	926
Other income	**1**	329
	154,094	132,797
Irrecoverable withholding tax	**(783)**	(731)
Total Investment Income	**153,311**	132,066

* 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 2023. 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 2023, there were securities amounting to £282,769k on loan against collateral of £297,132k (2021/22: securities amounting to £286,556k were on loan against collateral of £303,961k).

9. Financial assets

Movement in investments and derivatives

	Value at 01 04 2022 £' 000	Purchases at cost £' 000	Sales proceeds £' 000	Change in market value £' 000	Value at 31 03 2023 £' 000
Fixed income securities	1,971,826	15,026,053	(14,921,766)	(59,083)	**2,017,030**
Equities	1,302,314	345,091	(342,632)	(96,566)	**1,208,207**
Index-linked securities	376,682	1,302,549	(1,346,707)	(2,251)	**330,273**
Pooled investment vehicles	4,972,789	491,168	(539,175)	(567,523)	**4,357,259**
Derivative contracts	(59,858)	968,398	(821,520)	(57,542)	**29,478**
Infrastructure/Private Equity	371,905	147,929	(31,581)	49,354	**537,607**
	8,935,658	18,281,188	(18,003,381)	(733,611)	**8,479,854**
Other investment balances:					
Cash and Cash Equivalents	439,940	(71,470) *	-	840	**369,310**
Investment income due	21,673	8,766 *	-	-	**30,439**
Net financial assets	**9,397,271**	**18,218,484**	**(18,003,381)**	**(732,771)**	**8,879,603**

* 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.

9. Financial Assets (continued)

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 £840k 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 2023 include £36.6m ringfenced as collateral in relation to derivative contracts (31 March 2022: £77.6m).

Financial assets and liabilities

	2022/23 £'000	2021/22 £'000
Financial assets at fair value through profit or loss		
Fixed income securities	**2,017,030**	1,971,826
Equities	**1,208,207**	1,302,314
Index linked securities	**330,273**	376,682
Pooled investment vehicles	**4,357,259**	4,972,789
Derivative contracts:		
Futures	**8,725**	11,713
Swap contracts	**60,989**	53,786
Options	**4,583**	9,736
Forward currency contracts	**55,163**	36,372
Private equity/infrastructure	**537,607**	371,905
Cash deposits	**369,310**	439,940
Investment income due	**30,439**	21,673
Total financial assets	**8,979,585**	9,568,736
Financial liabilities at fair value through profit or loss		
Derivative contracts:		
Futures	**(18,064)**	(9,238)
Swap contracts	**(49,205)**	(83,311)
Options	**(3,694)**	(946)
Forward currency contracts	**(29,019)**	(77,970)
Total financial liabilities	**(99,982)**	(171,465)
Net financial assets	**8,879,603**	9,397,271

9. Financial Assets (continued)

Analysis of financial assets

	2022/223 £'000	2021/22 £'000
Fixed income securities		
UK public sector	**199,247**	73,457
UK corporate	**92,067**	126,117
Overseas public sector	**689,807**	747,143
Overseas corporate	**1,035,909**	1,025,109
	2,017,030	1,971,826
Equities		
Overseas quoted	**1,208,207**	1,302,314
	1,208,207	1,302,314
Index-linked securities		
UK	**179,742**	169,136
Overseas	**150,531**	207,546
	330,273	376,682
Pooled investment vehicles		
Residential Property Fund	**109,596**	108,751
Global Property Fund	**243,402**	188,756
Unit trusts	**3,996,355**	4,666,230
Other	**7,906**	9,052
	4,357,259	4,972,789
Derivative contracts		
Futures	**(9,339)**	2,475
Swap contracts	**11,784**	(29,525)
Options	**889**	8,790
Forward foreign exchange contracts	**26,144**	(41,598)
	29,478	(59,858)
Infrastructure/Private Equity		
Global Infrastructure	**537,607**	371,905
	537,607	371,905

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 2023, totalling £36.6m, is included within investment cash deposits (31 March 2022: £77.6m).

9. Financial assets (continued)

The market value of derivative contracts is analysed below:

(i) Futures

Type of contract	Exposure 2022/23	Market Value (Asset) 31 March 2023	Market Value (Liability) 31 March 2023	Market Value (Net) 31 March 2023	Exposure 2021/22	Market Value (Asset) 31 March 2022	Market Value (Liability) 31 March 2022	Market Value (Net) 31 March 2022
(Expiration - Under one year)	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK Fixed Income Futures	(120,196)	-	(3,349)	(3,349)	(177,481)	1,355	(30)	1,325
Overseas Fixed Income Futures	(789,001)	8,271	(14,692)	(6,421)	179,744	10,290	(9,208)	1,082
UK Commodity Futures	(1,542)	-	(23)	(23)	(4,640)	68	-	68
Overseas Cash Futures	(499,224)	454	-	454	-	-	-	-
Total		8,725	(18,064)	(9,339)		11,713	(9,238)	2,475

(ii) Swap contracts

Expiration	Notional Principal 2022/23	Market Value (Asset) 31 March 2023	Market Value (Liability) 31 March 2023	Market Value (Net) 31 March 2023	Notional Principal 2021/22	Market Value (Asset) 31 March 2022	Market Value (Liability) 31 March 2022	Market Value (Net) 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Up to 1 year	20,264	846	(449)	397	26,128	3,280	(55)	3,225
1 to 5 years	904,072	18,411	(16,982)	1,429	1,411,000	20,923	(36,744)	(15,821)
5 to 10 years	175,971	18,202	(22,057)	(3,855)	681,028	19,431	(35,072)	(15,641)
10 to 15 years	13,338	161	-	161	37,204	-	(2,871)	(2,871)
15 to 20 years	41,440	-	(5,581)	(5,581)	31,408	-	(6,766)	(6,766)
Over 20 years	119,557	23,369	(4,136)	19,233	128,754	10,152	(1,803)	8,349
Total		60,989	(49,205)	11,784		53,786	(83,311)	(29,525)

Nature of Swap	Notional Principal 2022/23	Market Value (Asset) 31 March 2023	Market Value (Liability) 31 March 2023	Market Value (Net) 31 March 2023	Notional Principal 2021/22	Market Value (Asset) 31 March 2022	Market Value (Liability) 31 March 2022	Market Value (Net) 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps	983,415	37,820	(15,542)	22,278	1,587,560	23,971	(28,170)	(4,199)
Credit default swaps	(223,215)	9,922	(11,707)	(1,785)	99,843	8,444	(17,028)	(8,584)
Inflation swaps	487,410	12,505	(21,699)	(9,194)	595,538	18,261	(38,113)	(19,852)
Other swaps	27,032	742	(257)	485	32,581	3,110	-	3,110
Total		60,989	(49,205)	11,784		53,786	(83,311)	(29,525)

(iii) Options

Investment underlying option contract	Market Value (Asset) 31 March 2023	Market Value (Liability) 31 March 2023	Market Value (Net) 31 March 2023	Market Value (Asset) 31 March 2022	Market Value (Liability) 31 March 2022	Market Value (Net) 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Overseas equity	1,205	(1,978)	(773)	2,097	(394)	1,703
Overseas fixed interest	1,164	-	1,164	-	-	-
Overseas cash	457	(861)	(404)	939	-	939
Swaptions	1,757	(855)	902	6,700	(552)	6,148
Total	4,583	(3,694)	889	9,736	(946)	8,790

Type of contract	Market Value (Asset) 31 March 2023	Market Value (Liability) 31 March 2023	Market Value (Net) 31 March 2023	Market Value (Asset) 31 March 2022	Market Value (Liability) 31 March 2022	Market Value (Net) 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Call options	4	(1,126)	(1,122)	273	(93)	180
Put options	4,579	(2,568)	2,011	9,463	(853)	8,610
Total	4,583	(3,694)	889	9,736	(946)	8,790

9. Financial Assets (continued)

(iv) Open forward currency contracts

The market value of derivative contracts is analysed below.

Number of contracts	Currency Bought	Local Value '000	Currency Sold	Local Value '000	Asset Value £'000	Liability Value £'000	Net Value £'000
50	EUR	130,826	GBP	(115,469)	**145**	**(606)**	**(461)**
5	EUR	23,464	OTHER	(3,896,234)	**11**	**(399)**	**(388)**
13	EUR	229,118	USD	(248,140)	**762**	**(4)**	**758**
64	GBP	306,855	EUR	(345,589)	**3,050**	**(7)**	**3,043**
2	GBP	67,523	JPY	(10,747,486)	**2,119**	**-**	**2,119**
46	GBP	131,897	OTHER	(174,567,110)	**3,071**	**(758)**	**2,313**
125	GBP	2,231,927	USD	(2,720,740)	**32,872**	**(403)**	**32,469**
3	JPY	1,883,036	GBP	(11,721)	**-**	**(254)**	**(254)**
1	JPY	5,288,088	OTHER	(36,604)	**-**	**(244)**	**(244)**
21	JPY	7,854,029	USD	(59,918)	**233**	**(832)**	**(599)**
11	OTHER	4,047,099	EUR	(23,464)	**763**	**(222)**	**541**
52	OTHER	178,255,133	GBP	(137,610)	**1,071**	**(2,784)**	**(1,713)**
1	OTHER	36,604	JPY	(5,255,602)	**442**	**-**	**442**
52	OTHER	248,170,979	USD	(344,695)	**3,266**	**(2,265)**	**1,001**
12	USD	468,289	EUR	(436,934)	**1**	**(5,631)**	**(5,630)**
92	USD	681,345	GBP	(553,926)	**26**	**(2,972)**	**(2,946)**
8	USD	60,183	JPY	(7,871,329	**925**	**(217)**	**708**
106	USD	725,257	OTHER	(348,624,924)	**6,406**	**(11,421)**	**(5,015)**
Total					**55,163**	**(29,019)**	**26,144**

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 2023 £'000	% of Net Assets	Market Value 31 March 2022 £'000	% of Net Assets
Legal & General – Over 5y Index-Linked Gilts	1,023,588	10.74%	1,471,367	14.38%
Legal & General - Low Carbon Transition Developed Markets Equity Index Fund	1,414,350	14.84%	1,440,682	14.08%
Legal & General - Low Carbon Transition Developed Markets Equity Index Fund - GBP Hedged	1,283,379	13.47%	1,385,998	13.55%

9. Financial Assets (continued)

Employer-Related Investments

The Scheme had no employer-related investments as at 31 March 2023 or 31 March 2022.

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.

			2022/23			2021/22
	Utmost Life £'000	**Prudential £'000**	**Total £'000**	Utmost Life £'000	Prudential £'000	Total £'000
Value at start of year	**195**	**29,236**	**29,431**	211	28,404	28,615
Contributions invested	**-**	**5,959**	**5,959**	1	6,056	6,057
Sales of investments	**(5)**	**(5,634)**	**(5,639)**	(25)	(6,295)	(6,320)
Change in market value	**(11)**	**(471)**	**(482)**	8	1,071	1,079
Value at end of year	**179**	**29,090**	**29,269**	195	29,236	29,431

10. Investment property

	2022/23 £'000	2021/22 £'000
Fair Value		
At start of year	**792,300**	715,355
Additions	**4,685**	11
Sales	**(43,431)**	(14,146)
Gains/(Losses) arising from changes in fair values	**(134,149)**	91,080
At end of year	**619,405**	792,300

The investment properties were valued as at 31 March 2023 by qualified professional valuers working for BNP Paribas Real Estate, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institute of Chartered Surveyors (RICS). The properties are typically valued on the basis of Market Value which is an internationally recognised basis and is defined as 'the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion'. All valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. The valuation is predominantly informed by prevailing market activity, where available, and referenced to key inputs such as rent rolls and applicable yield rates.

Management has considered all information currently available, and concluded that the valuations provided by third party experts as at 31 March 2023 are appropriate for financial statement purposes.

NILGOSC received net rental income of £34.5m (2021/22: £35.3m) 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:

	2022/23 £'000	2021/22 £'000
Not later than one year	**32,920**	36,358
Later than one year and not later than five years	**106,278**	128,977
Later than five years	**162,067**	234,288
	301,265	399,623

11. Investment management expenses

	2022/23 £'000	2021/22 £'000
Administration, management and custody	**25,014**	23,317
Performance measurement services	**42**	42
Other advisory fees	**622**	393
Transaction costs and trading expenses	**1,168**	1,968
	26,846	25,720

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 2022/23 (2021/22: 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 £16k (2021/22: £360k).

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 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 £'000
Cost	
At 1 April 2021	**835**
Additions	**110**
Disposals	**-**
At 31 March 2022	**945**
Amortisation	
At 1 April 2021	**670**
Charge for the year	**93**
Amortisation on disposals	**-**
At 31 March 2022	**763**
Net book value	
At 31 March 2021	**165**
At 31 March 2022	**182**

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 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**

	Property £'000	Fixtures, Fittings & Equipment £'000	Total £'000
Cost			
At 1 April 2021	1,200	431	**1,631**
Revaluation	100	-	**100**
Additions	12	21	**33**
Disposals	(12)	(25)	**(37)**
At 31 March 2022	**1,300**	**427**	**1,727**
Depreciation			
At 1 April 2021	-	390	**390**
Charge for the year	52	24	**76**
Revaluation Adjustment	(52)	-	**(52)**
Depreciation on disposals	-	(25)	**(25)**
At 31 March 2022	**-**	**389**	**389**
Net book value			
At 31 March 2021	1,200	41	**1,241**
At 31 March 2022	**1,300**	**38**	**1,338**

13. Property, plant and equipment (continued)

The property was valued as at 31 March 2023 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

	2022/23 £'000	2021/22 £'000
At 1 April 2022	**(110)**	-
Revaluation during the year	**78**	(122)
Refurbishment disposal	**25**	12
At 31 March 2023	**(7)**	(110)

The cost and accumulated depreciation in respect of any refurbishment of Templeton House is adjusted through the revaluation reserve.

15. Trade and other receivables

	2022/23 £'000	2021/22 £'000
Receivables and other current assets *	**18,710**	29,685
Less: Provision for impairment of receivables	**(355)**	(1,580)
Receivables and other current assets-net	**18,355**	28,105
Pension contributions due **	**23,817**	22,557
Prepayments and accrued income	**6,947**	6,047
	49,119	56,709

* Receivables and other current assets include rental debt.

** All contributions due to the Scheme relate to the month of March 2023 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.

	2022/23 £'000	2021/22 £'000
At 1 April	**15,918**	9,940
Net change in cash balances	**(7,525)**	5,978
	8,393	15,918
The following balances at 31 March were held at:		
Commercial banks and cash in hand	**8,393**	15,918
	8,393	15,918

17. Trade and other payables

	2022/23 £'000	2021/22 £'000
Trade payables and other current liabilities	**1,809**	35
Unpaid benefits	**9,547**	8,945
Social security and other taxes	**3,232**	2,881
Accruals and deferred income	**13,890**	14,878
	28,478	26,739

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 2023 are those set out in the Fund's Rates and Adjustment Certificate within the report on the Actuarial Valuation as at 31 March 2019.

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

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

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 2023 NILGOSC, in its capacity as a participating employer, had 80 active members (2021/22: 82), 78 deferred members (2021/22: 75) and 26 pensioners (2021/22: 23) in the scheme.

Net defined benefit liability

	2022/23 £'000	2021/22 £'000
Fair value of assets	**16,163**	17,588
Present value of funded defined benefit obligation	**(15,845)**	(23,399)
Effect of net asset ceiling	**(318)**	-
Net defined benefit liability	**-**	(5,811)

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 21.1 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 2023. 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.

	2022/23 %	2021/22 %
Rate of increases in salaries	**4.1**	4.4
Discount rate	**4.6**	2.7
Inflation (CPI) / Pension increase rate	**2.6**	2.9

The discount rate has increased by 1.9%, the CPI inflation assumption has decreased by 0.3% and the salary increase assumption has decreased by 0.3%.

This 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:

	2022/23 Years	2021/22 Years
Retiring today:		
Males	**22.2**	21.8
Females	**25.0**	25.0
Retiring in 20 years:		
Males	**23.2**	23.2
Females	**26.0**	26.4

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:

	2022/23 %	2021/22 %
Equities	**40.0**	42.9
Bonds	**23.6**	26.9
Multi Asset Credit	**13.3**	13.1
Property	**11.2**	10.0
Cash	**6.5**	4.0
Other	**5.4**	3.1

18. Retirement benefit obligations (continued)

Analysis of amounts recognised in the Fund Account

	2022/23	2021/22
	£'000	£'000
Operating cost		
Current service cost	**1,157**	1,231
Total	**1,157**	1,231
Finance cost		
Interest on net defined benefit liability	**150**	175
Total	**150**	175

	2022/23	2021/22
	£'000	£'000
Remeasurement gains and losses		
Return on plan assets below/(in excess of) that recognised in net interest	**2,307**	(873)
Actuarial (gains) due to change in financial assumptions	**(10,107)**	(2,621)
Actuarial losses/(gains) due to changes in demographic assumptions	**82**	(236)
Actuarial losses due to liability experience	**793**	64
Unrecognised asset – Effect of net asset ceiling	**318**	-
Net (gains)	**(6,607)**	(3,666)

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

	2022/23	2021/22
	£'000	£'000
Fair value of scheme assets at start of year	**17,588**	16,134
Interest income on assets	**480**	341
Contributions by members	**176**	153
Contributions by the employer	**511**	449
Benefits paid	**(285)**	(362)
Re-measurement (losses)/gains on assets	**(2,307)**	873
Fair value of scheme assets at end of year	**16,163**	17,588

18. Retirement benefit obligations (continued)

The actual return on assets is as follows:

	2022/23	2021/22
	£'000	£'000
Interest income on assets	**480**	341
Re-measurement losses/(gains) on assets	**(2,307)**	873
Actual return on assets	**(1,827)**	1,214

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

	2022/23	2021/22
	£'000	£'000
Present value of obligations at start of year	**23,399**	24,654
Current service cost	**1,157**	1,231
Interest cost	**630**	516
Contributions by members	**176**	153
Benefits paid	**(285)**	(362)
Actuarial (gains) on liabilities – change in financial assumptions	**(10,107)**	(2,621)
Actuarial losses/(gains) on liabilities – change in demographic assumptions	**82**	(236)
Actuarial losses on liabilities – experience adjustment	**793**	64
Present value of obligation at end of year	**15,845**	23,399

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 2023 and 31 March 2022. In each case only the assumption stated is altered; all other assumptions remain the same.

Discount rate assumption

	2022/23		2021/22	
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)	**15,512**	**16,178**	22,861	23,937
% change in present value of total obligation	**-2.1%**	**2.1%**	-2.3%	2.3%
Projected service cost (£000's)	**504**	**551**	1,051	1,135
Approximate % change in projected service cost	**-4.4%**	**4.5%**	-3.8%	3.9%

Rate of general increase in salaries

	2022/23		2021/22	
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)	**15,893**	**15,797**	23,516	23,282
% change in present value of total obligation	**0.3%**	**-0.3%**	0.5%	-0.5%
Projected service cost (£000's)	**527**	**527**	1,092	1,092
Approximate % change in projected service cost	**0.0%**	**0.0%**	0.0%	0.0%

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

	2022/23		2021/22	
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)	**16,130**	**15,560**	23,820	22,978
% change in present value of total obligation	**1.8%**	**-1.8%**	1.8%	-1.8%
Projected service cost (£000's)	**551**	**504**	1,135	1,051
Approximate % change in projected service cost	**4.5%**	**-4.4%**	3.9%	-3.8%

Post retirement mortality assumption

	2022/23		2021/22	
Adjustment to mortality age rating assumption	**-1 year**	**+ 1 year**	-1 year	+ 1 year
Present value of total obligation (£000's)	**16,276**	**15,417**	24,218	22,603
% change in present value of total obligation	**2.7%**	**-2.7%**	3.5%	-3.4%
Projected service cost (£000's)	**546**	**508**	1,136	1,049
Approximate % change in projected service cost	**3.6%**	**-3.6%**	4.0%	-3.9%

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 2024 is £515k.

19. Risks arising from financial instruments

Market risk	Market risk or price risk is the risk of capital loss as a result of a fall in the price of investments. Fluctuations in price can arise from a variety of sources including interest rate risk, credit risk, currency risk and liquidity risk. The Fund is exposed to market risk across all its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. To mitigate market risk, the NILGOSC Committee and its investment advisors review each investment manager's performance quarterly and consider the asset allocation of the Fund formally by carrying out a triennial review with its Investment Advisers, Fund Managers and Fund Actuary.
Currency risk	Currency risk is the risk that the 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 2023 is disclosed in Note 8, Investment Income on Page 104.
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 2023 was £9,183m (31 March 2022: £12,549m). 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 2.0%, the CPI inflation assumption has decreased by 0.3% and the salary increase has also decreased by 0.3% 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 2023	31 March 2022
	%	%
Rate of increases in salaries	**4.2**	4.5
Discount rate	**4.7**	2.7
Inflation / Pension increase rate	**2.7**	3.0

Demographic assumptions

The mortality assumptions at the accounting date have been set taking account of actual mortality experience of members within the Fund based on analysis carried out as part of the 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:

	2022/23 Years	2021/22 Years
Retiring today		
Males	**22.2**	21.8
Females	**25.0**	25.0
Retiring in 20 years		
Males	**23.2**	23.2
Females	**26.0**	26.4

The net assets available for benefits are £9,530m giving a surplus of £347m when compared to the actuarial present value of promised retirement benefits of £9,183m calculated on an IAS 19 basis.

Details of the funding position of the Scheme are included in the Actuarial Statement on pages 132 to 133.

21. Performance against key financial targets

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

22. Contingent liabilities

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

McCloud/Sargeant Ruling

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

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

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

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

It is expected that the Department for Communities will have a further consultation on McCloud remedy during the first half of 2023 and that Regulations implementing the remedy will come into force not later than 1 October 2023.

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

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) 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 2023 totalled £351m (31 March 2022: £243m). 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 a global property mandate of £42m (31 March 2022: £89m) which will be funded over the next 6-12 months.

24. Related party transactions

NILGOSC is a Non-Departmental Public Body sponsored by the Department for Communities. The Department for Communities is regarded as a related party. 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 79 and 80.

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 2023.

The Financial Statements were authorised for issue by the Accounting Officer on 4 September 2023.

STATEMENT OF THE ACTUARY for Year Ended 31 March 2023

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%	1.018
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/

   Aon Solutions UK Limited

   May 2023

Appendices

ANNUAL EQUALITY STATEMENT Year Ended 31 March 2023

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

Our Commitment

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

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

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

Promotion of Equality of Opportunity

NILGOSC has demonstrated its commitment to the promotion of equality of opportunity during 2022/23 and the equality agenda continues to be promoted and supported by the most senior levels of the organisation.

The NILGOSC Corporate Plan for 2022/23 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 2022/23 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 2022-31 March 2023 were progressed during the year, as set out below:

- NILGOSC completed an Audit of Inequalities exercise in February 2022, which informed the Equality Action Plan dated 1 April 2022-31 March 2025. Both the exercise and Action Plan were issued for consultation in April 2022, which closed in June 2022. No responses were received during the consultation period.
- At 31 March 2023 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. Refresher training was last completed for all staff in March 2022 and is scheduled for March 2024.
- In October 2022, the ECNI issued a new screening video for public authorities for those who have responsibilities for reviewing or developing policies. In January 2023, this was issued to all relevant staff for review.
- There were 74 alternative communications issued between 1 April 2022– 31 March 2023. All requests for alternative communications were successfully completed.
- NILGOSC is committed to providing all its digital content in an accessible format. The NILGOSC website was assessed in November 2022 and various actions are required to ensure compliance with the Public Sector Bodies (Website & Mobile Applications) Accessibility Regulations 2018. Work is ongoing to progress these actions and the website will be reassessed in June 2023.
- 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 view of improving member engagement.
- Training for members and pensioners on availability of electronic communications and use of MSS continues to take place and instructional videos have been added to the NILGOSC website.
- A Good Relations Survey was issued to all staff in January 2022 and results were shared with management during the 2022-23 year. No specific concerns were raised.
- The Disability Action Plan was issued for consultation in February 2023 and the consultation will close on 5 May 2023.

In line with its Equality Scheme, NILGOSC continues to carry out screening of any new or revised policies for equality impacts. No policies were screened during 2022/23 and no equality impact assessment was required. No equality complaints were received during the year.

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

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

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

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

ANNUAL REPORT OF THE AUDIT AND RISK ASSURANCE COMMITTEE for Year Ended 31 March 2023

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 2023.

1.2 This report provides a summary of the main areas and issues considered by the ARAC during 2022/23.

2 Constitution of the Audit & Risk Assurance Committee

2.1 At 31 March 2023 there were four members on the ARAC. Mark McBride (Chairperson), Michael Rafferty, Joan McCaffrey and Antoinette McMillen were all serving members of the Committee for 2022/23.

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 Finance, the Head of Governance & Human Resources, 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 2021/22 were prepared in line with changes to the FReM and relevant accounting guidance. This was presented to the ARAC on 9 August 2022. In line with DAO (DFP) 10/12 'Requirement to Complete a Governance Statement', the Chief Executive prepared his Governance Statement for 2021/22, which was considered and endorsed by the ARAC for inclusion in the 2021/22 Annual Report.

3.2 In addition to the Governance Statement, the Annual Report 2021/22 also included the Annual Report of the ARAC. On the recommendation of the ARAC, the Annual Report 2021/22 was approved by the Management Committee at its meeting on 22 August 2022 and laid before the Assembly on 12 September 2022.

4 External Audit

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

4.2 The NIAO presented its Report to Those Charged with Governance for 2021/22 (RTTCWG) to the ARAC on 9 August 2022.

4.3 The NIAO 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. The NIAO opined that the financial statements had been properly prepared and provided a true and fair statement of NILGOSC's affairs as at 31 March 2022.

4.4 The NIAO issued a clean audit opinion for the year ended 31 March 2022. There were no significant issues reported in the 2021/22 RTTCWG.

4.5 The NIAO presented its Audit Strategy 2023/24 to the ARAC at its meeting on 7 February 2023, which was subsequently approved.

5 Internal Audit

5.1 The Internal Auditor presented the final audit plan for 2022/23 to the ARAC on 31 May 2022.

5.2 The internal audit reviews conducted during 2022/23 and the assurance opinion provided in respect of each is set out in the table below:

Review	Assurance Opinion
Maintenance of Scheme Records	Satisfactory
Communications	Satisfactory
Corporate Governance	Satisfactory
Pensions Administration	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 2022/23.

5.4 The ARAC receives bi-annual reports on the progress against implementation of internal audit recommendations. These reports were provided in August 2022 and February 2023 and the ARAC noted that good progress that had been made during 2022/23.

5.5 In her Annual Assurance Report, the Head of Internal Audit (HIA) stated that, during the twelve month period ended 31 March 2023, 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 2023.

6 Risk, Control and Governance

6.1 During the annual review of the risk register in April 2022, 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 risk was removed. The ARAC reviewed the risk register 2022/23 at its meeting on 31 May 2022, which was subsequently approved by the Management Committee on 20 June 2022.

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 2022/23 resulted in the increase of risk scoring for two risks. An action required under a key (red) risk was removed and added as a control measure on completion of the action.

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 31 May 2022 and 21 November 2022 before consideration by the Management Committee and sign off by the Chairperson.

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 2022/23, one new case of suspected fraud was reported in line with the Policy and NILGOSC continued to provide updates to the Department on a previously reported case.

7.2 There was one concern raised through NILGOSC's Raising Concerns Policy during 2022/23.

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 ARAC's meeting on 21 November 2022 and subsequently approved by the Management Committee at its meeting on 12 December 2022. The approved Terms of Reference are available to view on NILGOSC's website.

8.2 A Departmental representative attended two out of four ARAC meetings held in 2022/23.

9 Effectiveness of the Audit & Risk Assurance Committee

9.1 The ARAC met four times during 2022/23 in accordance with the planned work programme.

9.2 The following table sets out the attendance record for 2022/23:

Member	Meetings Called	Meetings Attended	Attendance %
Mark McBride	4	4	100%
Joan McCaffrey	4	3	75%
Michael Rafferty	4	3	75%
Antoinette McMillen	4	3	75%

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 10 March 2023 to discuss the questions on the checklist and review its effectiveness for the reporting period 1 April 2022 to 31 March 2023. 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 2022/23 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 2023, 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 2023

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
Arbour Housing 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

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
Habinteg Housing Association (Ulster) Limited
Linen Hall Library
Livestock & Meat Commission for Northern Ireland
Local Government Staff Commission
Middletown Centre for Autism
Millennium Forum
Newington Housing Association (1975) Limited
North Belfast Housing Association
Northern Ireland Co-Ownership Housing Association Limited
Northern Ireland Council for Integrated Education
Northern Ireland Federation of Housing Associations
Northern Ireland Fire & Rescue Service
Northern Ireland Fishery Harbour Authority
Northern Ireland Hospice
Northern Ireland Housing Executive
Northern Ireland Local Government Association
Northern Ireland Local Government Officers' Superannuation Committee
Northern Ireland Railway Company Limited
Northern Ireland Screen
Northern Ireland Tourist Board
Northern Ireland Transport Holding Company
Outdoor Recreation (NI)
Probation Board for Northern Ireland
Rural Housing Association
Sports Council for Northern Ireland
St Matthew's Housing Association Limited
Ulsterbus Limited
Woodvale and Shankhill Housing Association

Schools and Colleges

Abbey Christian Brothers Grammar School
Acorn Integrated Primary School
Aquinas Diocesan Grammar School
Assumption Grammar School
Ballymena Academy
Bangor Grammar School
Belfast High School
Belfast Royal Academy
Blackwater Integrated College
Braidside Integrated Primary & Nursery School
Bridge Integrated Primary School
Campbell College
Cedar Integrated Primary School
Christian Brothers Grammar School
Coleraine Grammar School
Corran Integrated Primary School
Cranmore Integrated Primary School
Dalriada School
Dominican College – Belfast
Dominican College – Portstewart
Drumlins Integrated Primary School
Drumragh Integrated College
Enniskillen Integrated Primary School
Enniskillen Royal Grammar School
Erne Integrated College
Foyle and Londonderry College
Friends School
Hazelwood College
Hazelwood Integrated Primary School
Hunterhouse College
Integrated College Dungannon
Jordanstown Schools
Lagan College
Larne Grammar School
Loreto College
Loreto Grammar School
Loughview Integrated Primary School
Lumen Christi College
Maine Integrated Primary School
Malone College
Methodist College
Mill Strand Integrated Primary School
Millennium Integrated Primary School
Mount Lourdes Grammar School
New-Bridge Integrated College
North Coast Integrated College
Oakgrove Integrated College
Oakgrove Integrated Primary School
Oakwood Integrated Primary School
Omagh Integrated Primary School
Our Lady & St Patrick's College
Our Lady's Grammar School
Phoenix Integrated Primary School
Portadown Integrated Primary School

Rainey Endowed School
Rathmore Grammar School
Roe Valley Integrated Primary School
Rowandale Integrated Primary School
Royal Belfast Academical Institution
Royal School, Armagh
Royal School, Dungannon
Sacred Heart Grammar School
Saints and Scholars Integrated Primary School
Shimna Integrated College
Slemish Integrated College
Sperrin Integrated College
Spires Integrated Primary School
St Colman's College
St Columb's College
St Dominic's High School
St Joseph's Grammar School
St Louis Grammar School
St Louis Grammar School Kilkeel
St Malachy's College
St Mary's Christian Brothers
St Mary's Grammar School
St Michael's College
St Patrick's Academy
St Patrick's Grammar School
St Patrick's Grammar School, Armagh
St Ronan's College
Strangford College
Strathearn School
Sullivan Upper School
Thornhill College
Ulidia Integrated College
Victoria College
Wallace High School
Windmill Integrated Primary School

Further and Higher Education Colleges and Universities

Belfast Metropolitan College
North West Regional College
Northern Regional College
South Eastern Regional College
South West College
Southern Regional College
St Mary's University College
Stranmillis University College
University of Ulster

GLOSSARY

The following is a glossary of pension terms used throughout this Annual Report:

Term	Definition
Accrual rate	This is the rate at which pension benefits build up for the member e.g. 1/49th times pensionable pay for each year of membership.
Active Member	Current member of the pension scheme who is building up retirement benefits from their present job.
Active Management	A style of investment management whereby the manager seeks to add value to the fund by actively buying and selling shares.
Actuary	Expert on pension scheme assets, liabilities, life expectancy and probabilities. An actuary works out whether enough money is being paid into a pension scheme to pay the pensions when they are due.
Actuarial Valuation	An assessment performed by an actuary, usually every three years, to determine how much money needs to be put into a pension scheme to ensure that there are enough funds available to meet future pension payments.
Additional Voluntary Contributions (AVCs)	Contributions made by an individual over and above the normal contribution level to increase the level of benefits available on retirement. These contributions are paid to an insurance company.
Asset Allocation	The decision as to which mix of assets to buy – shares, bonds, property or cash.
Automatic Enrolment	The process whereby employers must automatically enrol workers that meet specified eligibility conditions into a qualifying pension scheme. Workers have the option to opt out.
Balanced Management	A traditional approach to investment whereby a manager buys a combination of shares and bonds to provide both income and capital appreciation while avoiding excessive risk.
Benchmark	A standard against which investment performance is measured. A common benchmark is the FTSE All-Share Index which includes a large percentage of all quoted shares.
Benefit Statement	A statement showing an individual the pension benefits they have earned so far together with a forecast of what their final pension might be.

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: • The natural child of the deceased • The adopted child of the deceased • A step-child of a child accepted as a member of the deceased's family and dependent on the deceased at the date of death. Eligible children must meet one of the following conditions: • Be under age 18, or • Be aged between 18 and 22 (inclusive) and be in full-time education or vocational training, or • Be unable to engage in gainful employment because of physical or mental impairment and either has not reached age 23 or the impairment is in the opinion of NILGOSC's Independent Registered Medical Practitioner, likely to be permanent and the person was dependent on the deceased at the date of death because of that impairment.
Expression of Wish	An Expression of Wish enables a member to tell NILGOSC who they would like to receive any death grant due if they die. NILGOSC does not have to follow the member's wish but will take it into account.
Final Pensionable Pay	The pensionable earnings on which the final salary benefits are calculated. This may be based on how much an individual is earning when they retire or the best pensionable earnings in the last three years.
Final Salary Scheme	A defined benefit scheme where the pension benefits paid on retirement are based on how much an individual is earning when they retire.
Fund Manager	A professional manager of investments often employed by a pension scheme to manage assets on their behalf.
Gilts	Bonds issued by the Government.
Guaranteed Minimum Pension (GMP)	This is the minimum pension that an occupational pension scheme had to provide as a condition of contracting out for pre-6 April 1997 service. The Government is currently considering 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. 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: All existing members at 30 September 2006 are protected until 31 March 2008 i.e. the benefits they built up to 31 March 2008 will be protected under the 85 year rule. Those existing members at 30 September 2006 who will be 60 or over and meet the 85 year rule by 31 March 2016 are fully protected i.e. the benefits they built up to 31 March 2016 will be protected under the 85 year rule. Those existing members at 30 September 2006 who will be 60 or over and meet the 85 year rule between 1 April 2016 and 31 March 2020 will have full 85 year rule protection to 31 March 2008 and have some 85 year rule protection, on a sliding scale, to 31 March 2020.
Securities	A general name for shares, stocks and bonds issued to investors.
Shares	Sold by companies looking to raise money. Shares give the holders an interest in the company and a right to share in the profits.
State Pension Age	This is the age people normally start getting the basic state pension. From November 2018 this was equalised at age 65 for men and women. State pension age is then to increase to age 66 by October 2020, age 67 between 2026 and 2028 and to age 68 between 2044 and 2046. The Pensions Act 2014 provides for a regular review of the State Pension Age, at least once every five years.
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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