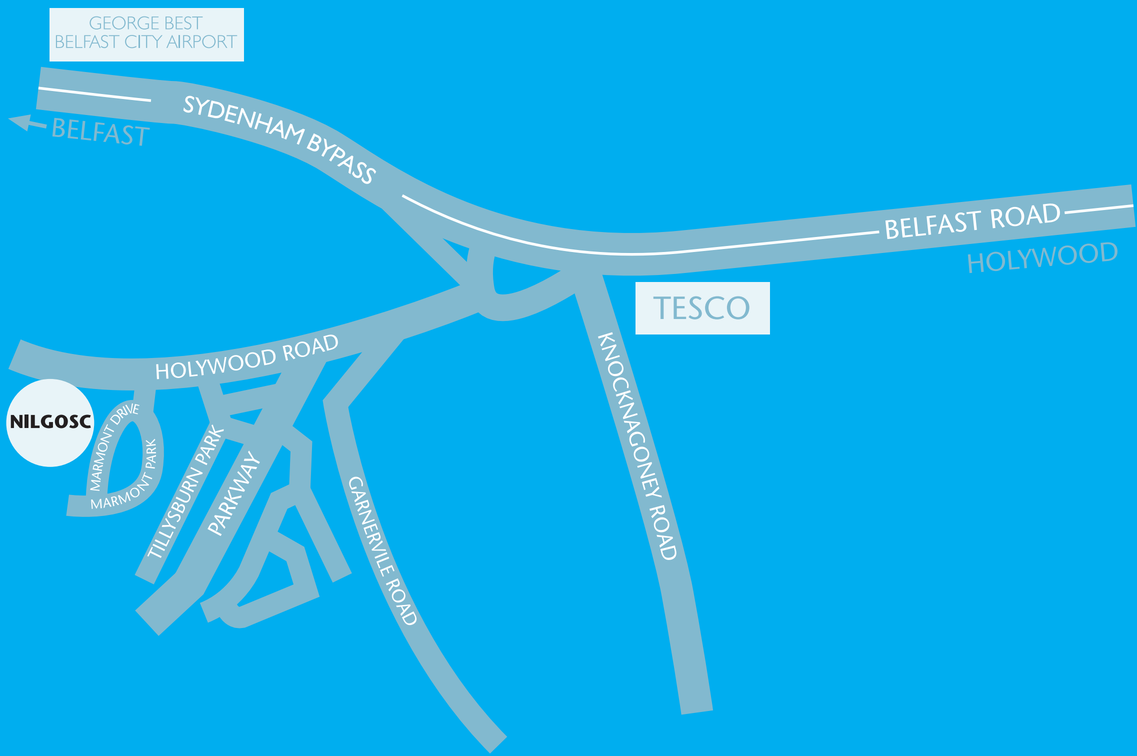
NILGOSC

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS'
SUPERANNUATION COMMITTEE

2010/2011
Annual report

Location



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; email; or by visiting our offices in person 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 Finance Manager 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 2011

Laid before the Northern Ireland Assembly under Regulation 29(9) of the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009 by the Department of the Environment

20 September 2011

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EXECUTIVE SUMMARY

Administration of The Scheme

- Membership of the Scheme continued to grow during the year with 90,667 contributing members, pensioners and deferred pensioners at 31 March 2011.

- The triennial valuation of the Scheme was carried out by the Scheme's Actuary, Hymans Robertson, as at 31 March 2010. The funding level had fallen from 89% at the previous valuation at 31 March 2007 to 82% at this valuation resulting in the deficit increasing to £783m.

- Lord Hutton of Furness published his final report on public pension provision on 10 March 2011 setting out his 27 recommendations to the Government.

- The Local Government Pension Scheme (Councillors) Regulations (Northern Ireland) 2011 were made on 18 March 2011 and came into operation on 9 May 2011 and introduced a new local government pension scheme for councillors.

- There was no pension increase for the year ending 31 March 2011. From April 2011, pensions will be increased in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

- The Scheme participated in the National Fraud Initiative which is carried out every two years and submitted data for data matching exercises in October 2010.

- In 2010/11 NILGOSC undertook its annual survey of members, pensioners and employers which indicated that 92% were satisfied with the service provided.

Investment of the Fund

- The value of the fund increased by £397m to £3.953bn during the year ended 31 March 2011.

- The overall return on the total assets for the year ended 31 March 2011 was 10.4%. This resulted in a net relative return of 0.6% against the fund benchmark.

- During 2010/11 the Committee made one change to its specialist manager structure, replacing its global unconstrained investment manager, Wellington Global Contrarian Equity, with Edinburgh Partners.

- As a signatory to the U.N. Principles of Responsible Investment, the Committee has demonstrated its commitment to being a responsible investor.

FOREWORD

Statutory Background

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

In accordance with Regulation 29(2) of the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009 the Committee submits its annual report for the year ended 31 March 2011 to the Department of the Environment.

The Committee

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

Committee's Responsibilities

The Committee is required under the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009 to:

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

The financial statements shall comprise:

(a) a Foreword;
(b) a Statement of the Committee's Responsibilities;
(c) an Accounting Officer's Statement on Internal Control;
(d) a Fund Account;
(e) a Net Assets Statement;

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

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

FOREWORD CONTINUED

Committee Members

The Management Committee (which is similar to a board of directors or trustees) consists of a chairman, five members nominated by employers' organisations, five members nominated by employees' organisations and two independent members. The Committee members are appointed by the Department of the Environment for a four year term. On 1 October 2007 the Department re-appointed David Bell, Stewart Cuddy, Pat Cumiskey, Frank Dunne, Brendan Heaney, Lewis Love and Albert Mills for a 4 year term until 30 September 2011. On 1 July 2009 the Department appointed Trevor Salmon, Julie Erskine, Colin O'Hare, Celine McCartan, Joseph Donaghy and Bumper Graham for a four year term until 30 June 2013. The Department has appointed an observer who may attend the meetings of the Management Committee and Audit Committee.

The biographies of the present Committee members are as follows:

CHAIRMAN

Mr Trevor Salmon, OBE, was previously the Deputy Chief Executive and Director of Corporate Services in Belfast City Council. In addition to his Chairmanship of NILGOSC he is a national Council member of the Chartered Institute of Public Finance and Accountancy. He is also a Lay Member of the Solicitors' Disciplinary Tribunal.

COMMITTEE MEMBERS

Mr David Bell was previously Director of Corporate Services for Coleraine Borough Council.

Mr Stewart Cuddy is the Deputy Chief Executive of the Northern Ireland Housing Executive.

Mr Pat Cumiskey is the Director of Corporate Services of Banbridge District Council. He is a member of the Northern Ireland Valuation Tribunal. He is also a member of the Governing Body of Southern Regional College.

Mr Frank Dunne is the Vice-Chair of Northside Village Trust, and a member of the Board of North & West Housing Association.

Ms Celine McCartan is the Campus Manager and Head of Corporate Services at the South West College, based in Omagh.

Mr Brendan Heaney is a member of UNITE the Union and is Policy and Public Affairs Manager with the health charity Diabetes UK Northern Ireland.

Mr Lewis Love is the Principal of Omagh High School, a member of the Ulster Teachers' Union Central Executive Committee and an ex- President of the Ulster Teacher's Union.

Mr Albert Mills is the former Senior Organiser for UNITE the Union.

Mr Bumper Graham is the Assistant General Secretary of the Northern Ireland Public Service Alliance. He is a member of the Education & Library Boards' Staff Commission.

Mr Joseph Donaghy is the former Northern Ireland UNISON Regional Head of health, local government and education. He is an Independent Member of the District Policing Partnership.

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

Mr Colin O'Hare is the Actuarial Science and Risk Management Program Director at Queen's University Belfast. He has many years experience working as a pensions actuary in Manchester, London, Birmingham and Belfast before joining Queen's University.

The Committee normally meets on a monthly basis, with the exception of July when no meeting is held. Any matters to be raised with the Committee must be lodged with the Secretary seven days in advance of the next meeting.

There were eleven meetings of the Management Committee during the year 2010/11. In addition, four Audit Committee meetings and three Staffing Committee meetings were held during the year. The Audit and Staffing Committees are sub-committees of the Management Committee.

Membership of each Committee can be seen from the table below but any member of the Management Committee may attend these meetings in the capacity of observer. The chairperson reports to the Management Committee following every sub-committee meeting.

FOREWORD CONTINUED

Details of attendance during 2010/11 are set out below:

	Management Committee		Audit Committee		Staffing Committee	
	Called	**Present**	**Called**	**Present**	**Called**	**Present**
David Bell	11	9	4	3	-	-
Stewart Cuddy	11	5	-	-	-	-
Pat Cumiskey	11	9	4	4	-	-
Frank Dunne	11	10	-	-	3	3
Lewis Love	11	6	-	-	3	1
Albert Mills	11	6	-	-	-	-
Brendan Heaney	11	10	-	-	-	-
Trevor Salmon	11	11	-	-	-	-
Joe Donaghy	11	11	-	-	3	3
Julie Erskine	11	10	-	-	3	3
Bumper Graham	11	9	4	4	-	-
Celine McCartan	11	10	4	3	-	-
Colin O'Hare	11	9	-	-	-	-
Average % Attendance		**80.4**		**87.5**		**83.3**

Minutes

Minutes of all Committee meetings are recorded and the full minutes are inspected by the Local Government Auditor. Copies of minutes are available on request only, as confidential information must be removed before publication to the general public. The information removed is in compliance with NILGOSC's Code of Openness and Freedom of Information Publication Scheme. Requests for a copy of the minutes should be made to:

The Information Officer
NILGOSC
Templeton House
411 Holywood Road
Belfast
BT4 2LP

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 summarised on NILGOSC's web site which can be found at www.nilgosc.org.uk.

Secretary
Mr Deane Morrice, the Secretary, is responsible for the administration of the Scheme and reports to the Committee on a monthly basis.

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

Audit
The Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009 provide for the accounts kept by the Committee to be audited annually by the Local Government Auditor. His staff are wholly independent of NILGOSC and the audit fee is disclosed in note 7 to the Financial Statements. The auditors did not perform any non audit work this year.

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

Financial Instruments
The Fund reduces its exposure to foreign currencies and fluctuations in exchange rates by hedging investments denominated in overseas currencies into sterling at various times.

Fixed Assets
Fixed assets consist of intangible assets and property, plant and equipment and their values are stated in note 12 and note 13 to the financial statements.

Important Events Occurring After the Year End
Lord Hutton was appointed by the new Coalition Government in 2010 to carry out a review of Public Sector Schemes, including the Local Government Scheme. In his interim report published on 7 October 2010, Lord Hutton's recommendation that Public Sector Schemes should increase employees' contribution rates was accepted by the Chancellor in his Spending Review statement on 20 October 2010. The Chancellor announced that employees' scheme contributions would be increased by 3% phased in over 3 years from 2012. However, consultation is continuing with the trade unions.

Charitable Donations
The Committee made no charitable donations during the year.

FOREWORD CONTINUED

Equal Opportunity

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

Employees' Involvement

Staff communication and involvement continues to be a key objective within the Committee. The Committee communicates with its staff about its objectives, progress and activities through various channels – team meetings, briefings, circulars and the staff intranet. Staff are encouraged to take part in project groups.

Significant emphasis is placed on training and developing staff through a structured training programme. A needs analysis is carried out every year from which a three-year training programme is prepared. Staff are involved in the preparation of the annual corporate plan.

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

Payment to Creditors

The Committee seeks to comply with "The Better Payments Practice Code" for achieving good payment performance in commercial transactions. 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. Under this code the policy is to pay bills in accordance with contractual conditions or, where no such conditions exist, within 10 days of receipt of goods and services or the presentation of a valid invoice, whichever is later. For the year ended 31 March 2011, the average time to pay invoices was 9 days.

Sickness Absence

The average number of days lost to sickness absence by all staff in 2010/11 was 7.5 days (2009/10 – 6.5 days).

Personal Data Related Incidents

There were no personal data related incidents in the year.

D W Morrice MBE
Secretary
23 August 2011

Trevor Salmon
Chairman

Deane Morrice
Secretary

MANAGEMENT COMMENTARY

Joint Statement from the Chairman and Secretary

The Financial year of 2010/2011 was an exceptional twelve months for NILGOSC. Neither the Committee nor the staff have known a time of such a level of activity. Our staff have responded admirably to an increase in demand from Scheme Members and Employers arising out of the cutbacks in Public Services. Against this backdrop we have also had to respond to extremely challenging changes proposed by the new Coalition Government. In addition we also undertook the triennial actuarial valuation of the Scheme and we made preparations to welcome a new type of member to the Scheme – local councillors.

Proposed Changes to Public Sector Pensions

Shortly after the election of the new Coalition Government in 2010 Lord Hutton was appointed to carry out a review of Public Sector Pensions, including the Local Government Pension Scheme. Lord Hutton published his interim report on 7 October 2010 and in addition to setting out a set of principles for his review and evidence received he recommended that, as a short-term option for reform, public sector schemes should increase employees' contribution rates. This recommendation was accepted by the Chancellor in his Spending Review statement on 20 October 2010 and he announced that employees' pension scheme contributions would be increased by 3.2%, phased in over 3 years from 2012. This is a major concern for the Committee.

The Chancellor announced that low earners would be protected. The majority of members of the NILGOSC scheme are deemed to be low earners which means that the remainder would have to shoulder the expected increases. Some members of the Scheme may have to pay up to 25% of their salary into the Scheme. We think that employee contribution rate rises, well above 50%, will cause many to leave the Scheme and we have written to the Minster for the Environment, who makes the Regulations for the Local Government Pension Scheme in Northern Ireland, and the Minister for Finance and Personnel, to recommend that our Scheme is treated differently and alternative means of making the savings required are considered.

In March 2011 Lord Hutton published his final report in which he made 27 recommendations for changes to the Public Sector Schemes. The most significant of which was that Schemes should change from being Final Salary in nature to one of Career Average Revalued Earnings. The Government is to consult with employers and employee representatives before announcing in the Autumn which recommendations it has accepted and how they will be implemented. In the meantime NILGOSC will keep its members and employers up to date on discussions and will respond to any consultation exercises undertaken by the Department of the Environment.

MANAGEMENT COMMENTARY CONTINUED

The Department of the Environment was already examining how the costs of the Scheme could be shared more equitably between the employers of the Scheme and the members of the Scheme. It set up its Local Government Pension Fund Review Group which met a number of times during 2010/11 however the Department did not publish its mechanism for cost sharing as the report of Lord Hutton needed to be factored into the process. We hope this work will continue during 2011/12 as the costs of the Scheme are still an issue for many employers.

Triennial Actuarial Valuation and Employer Contribution Rates

In 2010/11 we undertook the triennial actuarial valuation of the Scheme. The Actuary considered the fund's assets and liabilities as at 31 March 2010 and concluded that we were 82% funded, a figure which compares well to the average funding levels of the other LGPS funds across the UK. Our funding level dropped from the previous valuation due to the returns of the financial markets over the 3 year period which included the financial crash and banking crisis. This shortfall has to be made up by the Scheme's employers over a period of 20 years. As a result, the Actuary is increasing employer contribution rates for most of the Scheme's employers from 17% to 18% for 2011/12, then to 19% for 2012/13 and then to 20% for 2013/14.

Investment Returns

Our investment fund had another good year, the second year in a row of positive performance after the negative return in 2008/09. In 2010/11 we returned 10.4%. The fund value stood at £3.95bn as at 31 March 2011, the highest level in the history of NILGOSC as the financial markets continued their recovery. Our Investment Strategy remained broadly consistent throughout the period of turbulence which meant that the Scheme benefited from the improvement in the markets. We also appointed one new equity investment manager, Edinburgh Partners, who will manage one of our unconstrained global equity portfolios.

The Pension Scheme for Local Councillors

In early 2011 the Department of the Environment made the Local Government Pension Scheme (Councillors) (Amendment) Regulations (NI) 2011. These regulations allow Councillors to join the Scheme. The benefits received by Councillors are slightly different to those received by employees, the main difference being that the pension will be based on career average earnings rather than final salary. We would like to welcome all the new Councillors elected on 5 May 2011 to the Scheme and hope they find membership as a valuable benefit.

Thank you

Finally, we would like to express our gratitude to all the members of the Management Committee who have devoted considerable time and effort to the Committee's business over the year on top of their own demanding occupations. Thank you also to all of the Staff of NILGOSC who supported the Committee and for their hard work and dedication in 2010/11.

Trevor Salmon OBE
Chairman

Deane Morrice MBE
Secretary

ADMINISTRATION OF THE PENSION SCHEME

Background

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

A member of the Scheme accrued retirement benefits at the rate of 1/80th (pension) and 3/80^{ths} (tax-free lump sum) of their pensionable salary for each year of membership up to 31 March 2009. Any membership after 31 March 2009 provides for a retirement pension calculated at the rate of 1/60th of pensionable salary for each year of membership. At retirement, members may give up some pension for additional lump sum, subject to HM Revenue and Customs (HMRC) limits. The conversion rate is £12 additional lump sum for every £1 of pension given up.

The Scheme is funded by contributions made by both employees and employers who have been designated as employing authorities or admitted to the Scheme. Prior to 1 April 2009, employees' contribution rates were fixed at 6% of their pensionable remuneration (except for those who were entitled to contribute to the scheme at 5% before 1 February 2003 and have remained in continuous employment). Tiered employee contribution rates, determined by the whole-time equivalent rate of pay, were introduced from 1 April 2009.

Employer contribution rates are determined by the Scheme's actuary every three years. Following the results of the 2007 actuarial valuation, the Committee agreed with its actuary a series of stepped employer contribution increases, for the majority of employers, effective from 1 April 2008.

Year	Employer Contribution Rate
1 April 2008 – 31 March 2009	15%
1 April 2009 – 31 March 2010	16%
1 April 2010 – 31 March 2011	17%

The triennial valuation was carried out as at 31 March 2010 and the Committee agreed a series of further stepped employer contribution rate increases of 1% per year for the majority of employers. These increases are effective from 1 April 2011 to 31 March 2014.

ADMINISTRATION OF THE PENSION SCHEME CONTINUED

Status

The Scheme is a statutory public service pension scheme as defined by the Pensions Schemes Act (Northern Ireland) 1993. The Superannuation (Northern Ireland) Order 1972 gave the power to the Department of Environment to make regulations providing for pensions, allowances and other gratuities for persons employed by local authorities and other bodies. Since the 1972 Order, various regulations have been issued detailing the provisions governing the Local Government Pension Scheme in Northern Ireland. The current provisions, covering the Scheme which came into effect on 1 April 2009, are contained in the following three sets of regulations:

- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations (Northern Ireland) 2009 (SRNI 2009/32)
- Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009 (SRNI 2009/33)
- Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2009 (SRNI 2009/34).

The Scheme is also governed by:

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

As a public service pension scheme, the Scheme is contracted out of the State Second Pension (S2P) and is a registered public service scheme under Chapter 2 of Part 4 of the Finance Act 2004. Automatic registration was achieved by virtue of Part 1 of Schedule 36 of that Act. Full tax relief is granted on members' and employers' contributions paid to the Fund and on all United Kingdom investment income other than dividends arising from UK equities.

Membership

The Scheme continued to grow during 2010/11 both in terms of admitted bodies and individual employees.

Employing Authorities

At 31 March 2011, there were 202 employing authorities contributing to the Scheme. These employing authorities were composed of 26 councils, 5 education and library boards, 1 Library Authority, 77 associated bodies, 84 schools and 9 further and higher education colleges and universities. A full list of these organisations can be found on pages 87 to 89.

The following employing authorities were admitted during 2010/11:

Employing Authority	Date of Admission
Rowandale Integrated Primary School	1 January 2010
City of Derry Airport (Operations) Limited	1 April 2010

Ballynafeigh Housing Association and Belfast Community Housing Association became part of Trinity Housing with merger dates of 30 November 2010 and 1 April 2011 respectively.

Woodvale and Shankill Housing Association changed its name to Harmony Homes (NI) Limited with effect from 1 September 2010.

North and West Housing Association changed its name to Apex Housing with effect from 4 October 2010.

The following employing authorities ceased participation in the Scheme during 2010/11:

Employing Authority	Cessation Date
Dungannon and District Housing Association	31 March 2009
St MacNissi's College	31 March 2010

Members

Membership of the scheme increased during the year to 90,667 members. At 31 March 2011, the Scheme consisted of 44,148 contributing members, 26,291 pensioners and 20,228 deferred members.

Actuarial Valuation 2010

The Scheme's actuary, Hymans Robertson, carried out an actuarial valuation of the Scheme as at 31 March 2010. The results were provided in the valuation report but are briefly summarised below.

The funding level has fallen from 89% at the previous valuation at 31 March 2007 to 82% at this valuation. This resulted in the deficit increasing to £783m.

The average employer contribution rate that would be required to achieve full funding in 20 years, based on this triennial valuation is 23.8% of pay. This contribution rate is known as the common contribution rate and comprises the anticipated cost of new benefits being earned by members in the future (17.7%) plus the additional contributions required to repay the deficit over a 20 year period (6.1%).

The common contribution rate is a theoretical average figure across the whole fund. An adjustment to the common rate has been determined for each employer in line with the Funding Strategy Statement. The majority of employers will be paying the following minimum contribution rates for the next three years.

ADMINISTRATION OF THE PENSION SCHEME CONTINUED

Year	Employer Contribution Rate
1 April 2011 – 31 March 2012	18%
1 April 2012 – 31 March 2013	19%
1 April 2013 – 31 March 2014	20%

Pensions Increase

The Pensions (Increase) Act (Northern Ireland) 1971 and the Social Security Pensions (Northern Ireland) Order 1975 are the primary legislation that governs the increase to public sector pensions. Up until April 2010 the increase in any April was the percentage rise in the Retail Prices Index (all items) in the 12 months leading up to the preceding September. Therefore the rate of increase in April 2010 was decided by the rate of inflation in the year up to September 2009. The Retail Prices Index figure for September 2009 was 215.3 and this meant that the index had dropped by 1.4% from the previous September's figure of 218.4, i.e. a change of -1.4%. The legislation does not allow for percentage decrease in the rate of a public service pension and therefore HM Treasury confirmed that for the year ending 5 April 2011 there would be no increase to public sector pensions.

The Chancellor of the Exchequer announced in his June 2010 Budget that the method by which public sector pensions are increased, will change from 2011. From April 2011, pensions will be increased in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

New Regulations

Three sets of amending regulations were made during 2010/11. The first set of regulations protected the benefits of classroom assistants following the Collective Agreement dated 30 November 2007. The second set of amending regulations primarily clarified employers' pension liabilities as well as making many minor technical amendments to the principal regulations. Finally the third set of regulations introduced a new local government pension scheme for councillors. Each of these sets of amending regulations is described in more detail below.

Local Government Pension Scheme (Amendment) Regulations (Northern Ireland) 2010

These regulations were made on 22 April 2010 and were effective from 31 May 2010. The purpose of these regulations is to protect classroom assistants' pensions by changing the denominator of the fraction used to calculate their pension entitlement from a whole-time equivalent of 32.5 hours per week to 36 hours per week. Classroom assistants employed by the Education and Library Boards who accrued pension rights on a whole-time equivalent of 32.5 hours per week during the period from 1 January 1995 to 30 November 2007 (inclusive) will have those rights protected. Thereafter pension rights are accrued on the basis of the whole-time equivalent of 36 hours per week.

Classroom assistants employed by voluntary grammar and grant maintained integrated schools have a protected period from 1 January 1995 to 6 February 2009 (inclusive). Thereafter their pension rights are accrued on the basis of the whole-time equivalent of 36 hours per week.

Local Government Pension Scheme (Amendment No.2) Regulations (Northern Ireland) 2010
These regulations were made on 8 December 2010 and were effective from 17 January 2010.

While these regulations make several minor amendments they also retrospectively amend both the 2002 regulations and the 2009 regulations to clarify the arrangements for employer's pension liabilities and the actions that must be taken on an employer ceasing to have any active members or its admission agreement ceasing to have effect. A new regulation is introduced to allow apportionment of pension liabilities when an employer leaves the Scheme or merges with another employer while remaining in the Scheme. This regulation enables the transfer of pension liabilities from one ceasing employing authority to another continuing employer, subject to agreement.

Provision is made for certain members to make additional survivor benefits contributions to provide a pension based on pre-April 1988 membership for a surviving cohabiting partner.

Local Government Pension Scheme (Councillors) Regulations (Northern Ireland) 2011
These regulations allowing councillors to participate in the Local Government Pension Scheme were made on 18 March 2011 and came into operation on 9 May 2011. The Scheme for councillors is a career average revalued earnings (CARE) scheme based on 1/60th accrual and revaluation of pay in line with increases in the Consumer Prices Index (CPI).

The pensionable pay for councillors is the total of basic allowance and special responsibility allowance only. Career average pay is calculated by totalling the revalued pensionable pay for each year of active membership and dividing the total by the number of years or part years of membership.

ADMINISTRATION OF THE PENSION SCHEME CONTINUED

A summary of the benefits provided by the Councillors' Scheme is shown below:

Condition	Application
Joining	Automatic enrolment i.e. a Councillor is automatically brought into the Scheme but may opt out.
Age restrictions	Councillors must be younger than age 75 to join and pension benefits must be paid out before age 75.
Contribution Rate	The contributions rate is determined by the council based on pensionable pay. Contribution rates are in the range 5.5%-7.5% (7 tiers).
Pensionable pay	Pensionable pay is the total of all Basic and Special Responsibility Allowance. This is pay on which contributions are paid.
How pension is calculated	Pension is calculated as 1/60 x Career average pay x membership. Career average pay is: Total of pays (increased by CPI as below) for each year or part year divided by total years or part years.
Rate at which pension builds up	1/60th of career average pay for each year of membership is built up.
Calculation/Revaluation of pay	Pay for any year other than final year shall be increased in proportion to the increase in the Consumer Prices Index (CPI) from the last day of that year up to the last day of the month in which the membership ends.
Additional Voluntary Contributions	AVCs can be paid through the in-house AVC provider, Prudential.
Shared Cost Additional Voluntary Contributions	Not applicable.
Power of employing authority to increase membership and to award additional pension	Not applicable.
Refund	A refund of contributions is payable if the councillor has less than three months' membership.

Condition	Application
Retirement - Early	Between ages 55-59 reduced benefits are payable at the discretion of the employer. From age 60 reduced benefits are payable and no employer consent is required.
Normal	Age 65
Late	A councillor can remain in scheme up until day before age 75. An actuarial uplift is applied to all benefits paid after age 65.
Flexible/Redundancy/Efficiency	Not applicable.
Ill-health Retirement	To qualify for ill-health benefits a councillor must: • have one year's membership • be permanently incapable of discharging the duties of the office • have a reduced likelihood of being capable of undertaking gainful employment; and • be assessed by the Committee's doctor. If there is no reasonable prospect of undertaking the duties of the office before age 65 – accrued pension benefits are payable plus an enhancement of 100% of potential membership to age 65. If a reasonable prospect of undertaking duties of the office before age 65 – accrued benefits are payable plus an enhancement of 25% of potential membership to age 65.
Pension to Lump sum conversion	The rate of conversion on retirement is £12 of lump sum for every £1 of pension given up.
Re-employed and rejoining deferred members	Councillors may only combine councillor membership with councillor membership. Requests to combine councillor memberships must be made within 12 months of rejoining and there is only one opportunity to combine pension records.

ADMINISTRATION OF THE PENSION SCHEME CONTINUED

Condition	Application
Transfer in requests	Not applicable.
Transfer out requests	Yes, by application when the councillor has left active membership.
Death grants	**Active Councillor member** – death grant is an amount of 3 x career average pay. **Deferred Councillor member** – death grant is an amount of 5 x current value of pension. **Councillor Pensioner member** – death grant is an amount of 10 x annual pension less the amount of pension already paid.
Survivors' pensions	Survivors' pensions are payable to eligible spouses, civil partners, nominated cohabiting partners and children.

Local Government Pension Scheme Review Group

Following the introduction of the 2009 regulations the Department of Environment set up a Review Group. Its purpose is to consider, monitor and evaluate the implementation of the 2009 regulations. The Review Group will also make recommendations on future policy and, if required, amendment of the regulations. In particular, the group was to consider the implementation of the new ill-health arrangements and the introduction of cost-sharing arrangements.

The membership of the Review Group is by invitation from the Department and includes four members representative of LGPS employers, four members representative of employees nominated by the NI Committee of the Irish Congress of Trade Unions and two representatives from NILGOSC. The Group is chaired by an official from the Department's Local Government Policy Division.

National Fraud Initiative

NILGOSC participates in the National Fraud Initiative every two years and submitted data for data matching exercises in October 2010. The purpose of this data matching exercise is to prevent and detect fraud and it involves comparing the data held by NILGOSC for pensioner and deferred members against records held by other bodies e.g. the Department for Work and Pensions' (DWP) listing of deceased persons. This process uncovers instances where payments have continued to be claimed after the pensioner has died.

Hutton Report on Public Service Pension Provision

The Chancellor invited John Hutton to chair the independent Public Service Pensions Commission. The Commission undertook a fundamental structural review of public service pension provision.

Lord Hutton of Furness has published his final report on public service pension provision on 10 March in which he set out his 27 recommendations to the Government on pension arrangements that are sustainable and affordable in the long term, fair to both the public service workforce and the taxpayer and consistent with the fiscal challenges ahead, while protecting accrued rights.

At Budget 2011, the Government accepted Lord Hutton's recommendations as a basis for consultation with public sector workers, unions and others. The Government will consult over the summer and will then set out its proposals in the autumn of 2011.

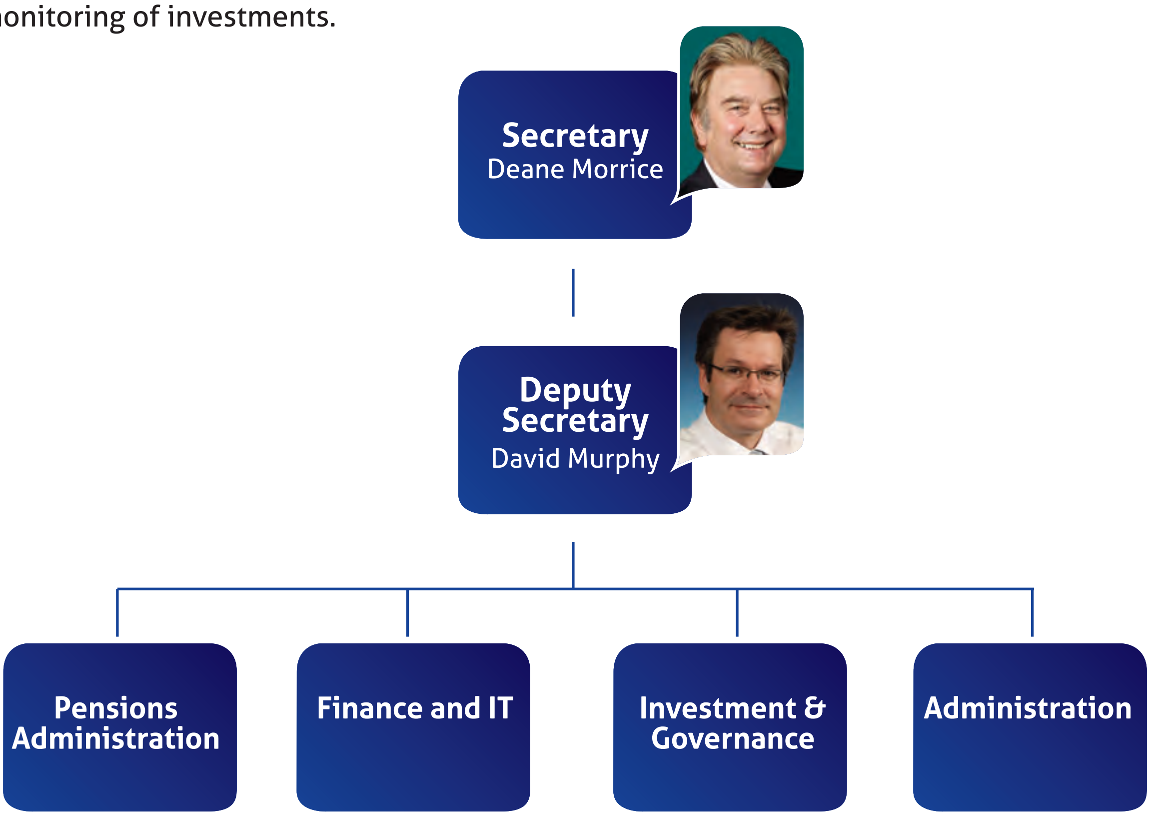
A summary of the recommendations in the report is listed below.

- The current public sector final salary schemes should be replaced by a new career average scheme;
- Pension benefits should be uprated in line with average earnings during the accrual phase for active scheme members;
- Post-retirement pensions should be uprated in line with prices;
- Government should increase a member's normal pension age to be in line with state pension age;
- The Government should set out a fixed cost ceiling stating the proportion of pensionable pay that they will contribute on average to employees' pension over the long term;
- Members of current defined benefit public service schemes should be moved to the new schemes for future service;
- The final salary link should be retained for past service;
- The Local Government Pension Scheme should remain funded and the other public sector schemes remain pay-as-you-go; and
- The new schemes should be introduced before the end of this Parliament i.e. by 2015.

ADMINISTRATION OF THE PENSION SCHEME CONTINUED

The Staff

Day to day administration of the Scheme is performed by the Secretariat, who report to the Committee on a monthly basis. Led by the Secretary and Deputy Secretary, over 48 experienced staff are responsible for the administration of retirement benefits and the monitoring of investments.



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. A number of initiatives have been introduced in recent years to help staff realise their potential and allow NILGOSC to attract and retain qualified individuals.

Staff Development

Training and development of staff is a key priority for NILGOSC and each year 3% of salary costs are invested in this particular area. Staff are encouraged to complete individual training plans which outline their training needs for the following twelve months. In addition to maximising the ability of staff to carry out their duties competently and efficiently, the NILGOSC training and development policy is designed to support individual opportunities for personal and career development.

Publications

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

Title	Content	Format/Availability
Short Guide to the Local Government Pension Scheme (Northern Ireland)	Briefly explains the main features and benefits of the Scheme for prospective members and current members.	Hardcopy on request. Electronic version from www.nilgosc.org.uk
Retirement Guide	This guide explains retirement benefits and pension payments in detail.	Hardcopy on request. Electronic version from www.nilgosc.org.uk
Increasing your Benefits	Explains the options within the Scheme to increase benefits by purchasing additional pension or by paying Additional Voluntary Contributions.	Hardcopy on request. Electronic version from www.nilgosc.org.uk
AVC Guide	Produced by the Scheme AVC provider, Prudential, to explain how additional voluntary contributions can be used to top up pension benefits.	Available from Prudential by telephoning The Pension Connection on 0845 607 0077.
Employers' Guide	Designed to assist employing authorities in carrying out their responsibilities in administering the Local Government Pension Scheme Regulations (Northern Ireland) 2009. It deals with the common questions which arise in the day-to-day administration of the Scheme	Electronic version from www.nilgosc.org.uk
Annual Report	Annual Report and Financial Statements	Hardcopy on request. Electronic version from www.nilgosc.org.uk
Alternative Communications Leaflet	Leaflet highlighting that documents and correspondence can be provided in different formats. It includes a form for members to complete to request alternative communications.	Hardcopy on request. Electronic version from www.nilgosc.org.uk

ADMINISTRATION OF THE PENSION SCHEME CONTINUED

Title	Content	Format/Availability
Members' News	Annual newsletter to notify members of any changes which may affect their pension and a summary of the main items of interest from the Annual Report and Accounts.	Distributed annually to members.
Deferred Members' News	Annual newsletter to update deferred members on any changes to the Scheme and a summary of the main items of interest from the Annual Report and Accounts.	Distributed annually to deferred members. Electronic version from www.nilgosc.org.uk
Pensioners' News	Annual newsletter designed to notify pensioners of any matters or changes which may affect their pensions and a summary of the main items of interest from the Annual Report and Accounts.	Distributed annually to pensioners. Electronic version from www.nilgosc.org.uk
The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations (Northern Ireland) 2009 (SRNI 2009 No. 32) **The Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009 (SRNI 2009 No. 33)** **The Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2009 (SRNI 2009 No. 34)** **The Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations (Northern Ireland) 2007 (SRNI 2007 No. 93)** **The Local Government Pension Scheme (Management and Investment of Funds) Regulations (Northern Ireland) 2000 (SRNI 2000 No. 178)**	Scheme rules.	Available from The Stationery Office, 16 Arthur Street, Belfast BT1 4GD (SRNI 2009 Nos. 32, 33 and 34. SRNI 2007 No. 93 and SRNI 2000 No. 178). The Regulations are also available online at www.opsi.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
- Equality Scheme
- Freedom of Information
- Corporate Plan
- Complaints Procedure

Satisfaction Survey

A stakeholder satisfaction survey was carried out in May 2011. Over 700 questionnaires were distributed to all employers and a sample of active members, deferred members and pensioners. As well as a random sample of members a sample was also taken from all those who had contacted NILGOSC during 2010-11 in person, in writing, by email and by telephone. This sampling method allowed us to target the members who had used our services in the last year and therefore receive a more informed response to our question.

The survey sought feedback on NILGOSC's publications, website and contact with members and employers.

Key focuses were:

- The relevance of information contained, presentation and layout and ease of understanding our publications; and
- Staff knowledge and ability, time taken and the level of courtesy and professionalism shown in contacts with our staff.

Respondents were asked to rank each element on a scale of 1 to 5, with 1 being very poor or very dissatisfied and 5 being excellent or very satisfied. Level of courtesy and professionalism was ranked highest across all groups surveyed with an average rating of 4.73 out of 5.

In addition, respondents made comments on our services and suggestions for future contact, whilst employers have noted an interest in attending training on pension scheme administration and meeting with NILGOSC more often.

The response rate for 2010-11 was 41%, a vast improvement on the 2009-10 response rate of 31%.

Satisfaction levels ranged from 89% of active members to 100% of deferred members being satisfied or very satisfied with the service they received. Overall, 92% of respondents were either satisfied or very satisfied; an increase from the rating of 91% the previous year. Only 1% of respondents ranked their overall satisfaction as less than three out of five, again an improvement on the 2009-10 figure.

ADMINISTRATION OF THE PENSION SCHEME CONTINUED

Performance Standards

In May 1997, the Management Committee first approved a set of service standards for the activities carried out by the Committee. Since then, these standards have been reviewed annually and are monitored by the Committee. Compliance with the performance standards for 2010/11 and the reporting system was tested by the internal auditor, ASM Howarth, on a random sample basis.

The following is a summary of the standards achieved during 2010/11.

Task	Standard	Within Standard %	Number of tasks
Lump sum retirement payments	10 days	88%	1,465
Death grant payments	10 days	76%	85
Leaver options notifications	20 days	43%	2,240
Refund payments	10 days	87%	167
Provisional transfer out quotations	20 days	43%	230
Transfer out payments	10 days	84%	168
Inward transfer quotation requests	10 days	14%	298
Inward transfer credit notifications	20 days	22%	245
New entrants certificates	20 days	86%	4,683
Letters answered or acknowledged	10 days	95%	12,486
Benefit quotation requests	10 days	51%	2,753
Issue members' annual report	by 30 November	100%	Approx. 90,000
Issue members' annual benefit statement	Within two months of receipt of valid data	100%	Approx. 62,000
Pensions paid each month	Last banking day of month	100%	Approx. 26,000
P60s issued to all pensioners	By 31 May	100%	Approx. 26,000

During the 2009/10 year there was a 34% increase in total incoming work with a consequent impact on achievement of performance standards. In March 2010, the Committee agreed an increase in the staffing level of the Pensions Administration Department to deal with the increased workloads and a recruitment exercise was undertaken in April/May 2010. Following training of the new staff there has been improved performance standards across all areas.

Transfer factors were suspended by HM Treasury on 6 July 2010 as the basis used for setting the discount rate needed revised as pension indexation had changed to the Consumer Prices

Index. All transfer and divorce quotations were suspended and work could not resume until the Government Actuary's Department (GAD) issued new factors effective from 1 October 2010. These new factors were implemented and transfer and divorce calculations resumed. This four month suspension had a negative impact on the performance standards achieved for transfers and some benefit quotations as this work could not be processed until the new factors were provided by GAD.

Cost per Member

Despite a continuing increase in scheme membership, NILGOSC has managed to keep a constant cost per member in real terms. The table below shows administration expenses per scheme member, together with the ratio of members to staff.

Year ended 31 March	Total Members	Number of staff	Members / Staff	Admin Expenses £'000	Cost / Member £	Cost adjusted for inflation £
2002	66,643	33	2,019	1,288	19.32	19.92
2003	68,936	36	1,915	1,495	21.69	22.26
2004	71,399	40.5	1,763	1,685	23.60	24.35
2005	73,995	41	1,805	1,835	24.80	25.39
2006	74,688	43	1,737	1,771	23.71	24.85
2007	78,511	41	1,915	2,032	25.87	26.84
2008	82,716	41	2,017	2,062	24.93	24.84
2009	86,812	46	1,887	2,353	27.10	28.31
2010	88,568	50	1,771	2,659	30.02	31.62
2011	90,667	50	1,813	1,950	21.51*	21.51*

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

Complaints

Any complaints are dealt with in accordance with the Committee's complaints procedure. If you have any reason to complain, please follow the procedure below.

In the first instance, you should contact the person with whom you have been dealing, or if you prefer, his or her manager, to try and resolve the problem. This can be done in writing, by telephone or by personal visit. If the matter is not resolved to your satisfaction, you can make a formal complaint in writing to the Secretary. Your complaint will be dealt with within five working days, or when this is not possible, an acknowledgement will be issued advising you when you will receive a reply.

ADMINISTRATION OF THE PENSION SCHEME CONTINUED

If you are not satisfied with the reply received, you may ask the Management Committee to reconsider the matter. For a complaint to be reconsidered, you must apply in writing, within six months of the previous decision, giving the reasons why you are dissatisfied. The Management Committee will reconsider your complaint and inform you in writing of its decision within two months.

If you think you have been treated unfairly by the Committee you can complain to the Ombudsman at the following address: The Ombudsman, Freepost BEL1478, Belfast, BT1 6BR, or by telephone on 0800 343424, or by email to ombudsman@ni-ombudsman.org.uk.

You may wish to contact the Pensions Advisory Service (TPAS) who exists to give help and advice to people at any time who have problems with their pension. TPAS also helps to settle disputes which are not resolved by direct negotiation.

You can contact TPAS at the following address: 11 Belgrave Road, London, SW1V 1RB, or by telephone on 0845 601 2923, or by email to enquiries@pensionsadvisoryservice.org.uk

Review of Corporate Plan 2010/11

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 2011/12 – 2013/14 Corporate Plan can be downloaded from the NILGOSC website at www.nilgosc.org.uk. As can be seen from the table below, a significant proportion of the 2010/11 Corporate Plan was completed during the year ended 31 March 2011.

1. To provide a level of service needed to comply with the pension scheme regulations, good practice, other legislation and stakeholder expectations.

Business Objective	Operational Action	Progress at 31 March 2011
1.1 To pay member's pension benefits, refunds and transfers promptly	1.1.1 To pay monthly pensions promptly and accurately.	4 overseas payments were late. 288,000 payments were made over the year.
	1.1.2 To pay pension lump sums and grants promptly and accurately.	1,465 processed, average time taken is 10 days.
	1.1.3 To pay refunds of contributions promptly and accurately.	167 processed, average time taken is 7 days.
	1.1.4 To pay transfer payments promptly and accurately.	168 processed , average time taken 9 days.
1.2 To credit pension contributions and transfers received promptly and accurately	1.2.1 To collect monthly contributions and invest in scheme fund promptly.	Average of 3 late contributions for which late payment invoices or letters are issued.
	1.2.2 To reconcile contributions received and service credited annually.	Queries outstanding with 34 employers at year end.
	1.2.3 To credit service on receipt of transfers into the scheme promptly.	245 processed, average time 39 days. Delays due to outstanding tables from GAD.
1.3 To provide members with information needed to make pension decisions promptly	1.3.1 To respond to member queries.	12,486 items dealt with, average 3 days.
	1.3.2 To provide members leaving the scheme with option choices.	2,240 early leaver notifications issued taking an average of 56 days. Delay due to changes for classroom assistants.

REVIEW OF CORPORATE PLAN 2010/11 CONTINUED

Business Objective	Operational Action	Progress at 31 March 2011
1.3 To provide members with information needed to make pension decisions promptly	1.3.3 To provide members with quotations.	2,753 quotes issued taking an average of 15 days. Delay due to re-prioritisation of work.
	1.3.4 To provide members with benefit statements.	All benefit statements issued for active and deferred members.
1.4 To ensure that all necessary action is taken on any change to pension scheme regulations.	1.4.1 Ensure that processes change to reflect regulation changes.	Programming for classroom assistants regulations was completed within time.
	1.4.2 To train relevant staff on any regulation changes.	All staff briefed on amending regulations and trained.
	1.4.3 To have administration systems updated for any new or amended regulations.	Achieved.
	1.4.4 To train relevant staff on the Councillors' scheme.	Councillors' Scheme is effective from 9 May 2011. Regulations were made 18 March 2011.
	1.4.5 To have administration systems updated for the Councillors' scheme and all necessary procedures in place to administer the scheme.	New software was released in March 2011. Testing, forms, literature will be developed in April 2011.
1.5 To ensure that systems and procedures comply with new or recent non-pensions legislation	1.5.1 To respond to Data Protection and Freedom of Information requests.	20 FOI requests and 214 subject access requests (SARS) received. Responses to 20 FOI requests and 212 subject access requests issued within deadline. 2 SARs require further identifying information.
1.6 To ensure NILGOSC attracts and retains well trained personnel	1.6.1 To implement the revised competency scheme.	Outline scheme presented to Staffing Committee in May 2010 and was discussed by SMT in Aug. Issued to staff for consultation in Nov 2010. Negative response from staff. SMT will recommend to Staffing Committee that Scheme is not progressed.

Business Objective	Operational Action	Progress at 31 March 2011
1.6 To ensure NILGOSC attracts and retains well trained personnel	1.6.2 To ensure all staff complete training plans and undertake appropriate training.	100% training plans in place for staff. Approximately 2,225 hours training received in year.

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

Business Objective	Operational Action	Progress at 31 March 2011
2.1 To value the scheme assets and liabilities and set contribution rates accordingly	2.1.1 Undertake Actuarial valuation every 3 years.	Valuation as at 31 March 2010 published on 31 March 2011.
	2.1.2 To ensure employer contribution rates for 10/11 implemented.	Confirmations have been received from all employers.
2.2 To invest scheme funds in accordance with the Statement of Investment Principles	2.2.1 To achieve investment performance in line with targets.	3 year relative total return to 31 March 2011 was 7.37%. 6 out of 9 managers met their target.
	2.2.2 To monitor and regulate investment management.	At 31 March 2011 no manager had breached investment guidelines and underperformance was addressed through the scorecard process.
	2.2.3 To maximise income from scheme assets.	Commission Recapture £11,596, Stock Lending £570,426 and Class Actions £83,772.57.
2.3 To understand and adopt good practice in Public Sector fund management	2.3.1 Implement the Responsible Investment Policy.	Votes cast at all 443 meetings where research allowed an informed decision to be made. £83,772.57 recovered through class action settlements.
	2.3.2 Review Statement of Investment Principles and Funding Strategy Statement.	SIP revised in Sep 2010 and FSS reviewed and was circulated with Actuarial Valuation on 31 March 2011.

REVIEW OF CORPORATE PLAN 2010/11 CONTINUED

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

Business Objective	Operational Action	Progress at 31 March 2011
3.1 To provide general scheme information to scheme employers, their employees, members and pensioners	3.1.1 Publish comprehensive scheme literature and guidance.	Members and employers were advised of Classroom Assistant regulations by end of August 2010.
	3.1.2 Provide employee and employer seminars.	23 seminars conducted during 2010/11.
	3.1.3 To publish the annual report in the NI Assembly.	Annual Report and Accounts laid in NI Assembly on 21st September 2010.
3.2 To provide members and employers with specific details of regulation changes	3.2.1 Communication of any regulation changes.	Members and employers were advised of Classroom Assistant regulations within time.
	3.2.2 To advise all new members of the benefits of the pension scheme.	All new members receive Short Guide.
3.3 To provide advice on the pensions implication of other changes	3.3.1 Continue to work with RPA affected bodies and staff to explain pension implications of RPA transfers.	Participated in both LGPS Review Group and LG Reform Joint Forum.
	3.3.2 Determine the implications of Local Government Reorganisation on the ability to deliver a pension service.	No definite agreement has been reached on changes to Local Government structures as at 31 March 2011.
3.4 To update address information of those members who have not informed NILGOSC of address changes	3.4.1 To use external databases to track down members with missing address information.	Basic address tracing software now being utilised. Reconciliation of postcodes carried out June 2010.

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

Business Objective	Operational Action	Progress at 31 March 2011
4.1 To respond to consultation on changes to the LGPS and contribute to consultee groups	4.1.1 To ensure that Employers are aware of potential scheme changes and canvas views.	All employers advised of potential changes by circular.
	4.1.2 To respond to Government consultation exercises.	Responded to Lord Hutton's calls for evidence and HMRC consultations.
	4.1.3 To respond to Department of the Environment consultation exercises.	Responded on all Draft Regulations issued by the Department during the year.
	4.1.4 To contribute to consultee groups eg NAPF, LGPC, OAG, LAPFF etc.	Representation continues on all groups.
4.2 To improve the Scheme Regulations	4.2.1 Identify potential changes to the regulations and lobby the Department to make the changes.	The LGPS (Amendment No2) Regulations (NI) 2010 were made on 8 December 2010 effective from 17 January 2011.

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

Business Objective	Operational Action	Progress at 31 March 2011
5.1 To maintain corporate governance arrangements appropriate for a public body in line with published good practice	5.1.1 Respond to External Auditor letters.	External Auditor's letter responded to within 2 working days.
	5.1.2 Review of NILGOSC Internal Controls.	Statement of Internal Control for 2009/10 was included in the 2010 Annual Report and Accounts published on 21 September 2010.

REVIEW OF CORPORATE PLAN 2010/11 CONTINUED

Business Objective	Operational Action	Progress at 31 March 2011
5.1 To maintain corporate governance arrangements appropriate for a public body in line with published good practice	5.1.3 Participate in NFI exercise and extend data exchanged.	23 cases of un-notified deaths identified. £52,778 overpaid. £23,454 recovered up to 31 March 2011. 103 re-employed pensioners with compensatory pensions are being investigated to determine whether any abatement is necessary.
	5.1.4 To test Business Continuity procedures and ensure effective.	Annual test undertaken on 6/7 December 2010. The test was a success and a number of minor action points were identified.
	5.1.5 Maintain a Risk Register and take actions to mitigate identified risks.	Risk Register 2010/11 approved in June 2010 and quarterly reviews undertaken at 30 June 2010, 30 September 2010, 31 December 2010 and 31 March 2011.
5.2 To ensure that Committee Members have the requisite Knowledge and Skills in compliance with good practice	5.2.1 Review the NILGOSC Knowledge and Skills Framework to ensure it complies with the CIPFA Knowledge and Skills Framework.	Completed.
	5.2.2 To ensure that all Committee Members receive appropriate training in line with NILGOSC's Knowledge and Skills Framework.	In the period 12 months to 30 September 2010 members had completed 632 hours in total being an average of 48 hours each. 8 members met the 40 hour target.

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

Business Objective	Operational Action	Progress at 31 March 2011
5.3 To introduce IT developments and other procedures in order to improve efficiency	5.3.1 To receive data from employers through the Employer Internet interface.	NEELB, WELB, North Down District Council, Down District Council, Probation Board and Translink now have access to Employer Internet. This represents 30% of the active membership. NEELB currently provides data electronically – representing 10% of active membership.
	5.3.2 Implementation of a Document Imaging System.	Project management group has been established, site visits made. Project delayed pending resolving staffing issues.

6. To be committed to the need to promote equality of opportunity, the desirability of promoting good relations and the fulfillment of the Section 75 obligations

Business Objective	Operational Action	Progress at 31 March 2011
6.1 To undertake Equality Impact Assessments on existing and new policies	6.1.2 Undertake an EQIA on any new policy.	EQIA completed on all policies. The full consultation document is in the process of being finalised.
6.2 To ensure NILGOSC personnel policies promote equality of opportunity	6.2.1 To prepare S55 Report for Equality Commission.	No action required in 2010/11.
	6.2.2 To record annual recruitment monitoring information.	Report submitted to Equality Commission.

ANNUAL EQUALITY STATEMENT
Year end 31 March 2011

The Committee's Equality Scheme states that the Committee will review both the action taken during the year to promote equality of opportunity and the progress of the implementation of the Equality Scheme.

Our Commitment

The Committee re-affirms its commitment to the fulfillment 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 2010/11 by its support from the most senior levels of the organisation.

The NILGOSC Corporate Plan for 2010/11 included objectives relating to Equality and Community Relations. The Committee approved the Plan in March 2010 and the Senior Management Team, on a quarterly basis, has monitored the implementation of objectives.

Implementation of the Equality Scheme

The Equality Scheme was approved by the Equality Commission and published in May 2001. Progress on the implementation of the scheme since then is detailed below:

1. NILGOSC has published its annual statements since 2001/02 in the Annual Reports and Financial Statements in October each year. The statements were also reproduced in the Members' Report, summaries of the Annual Report, and have been distributed to all members and pensioners (over 80,000 copies). The annual statements were also made available on the NILGOSC website.

2. The Good Relations Working Group drafted a Community Relations policy. This was issued to all staff in April 2002, it was screened for impact assessment in June 2002 and approved by the Committee in October 2002. The policy was last reviewed and updated in June 2005.

3. The Equality Impact Assessment (EQIA) of the Administration of the Local Government Pension Scheme and the Premature Retirement Scheme was completed in June 2002 and published in October 2002. As a result of this assessment:

- A communication leaflet was issued to all Scheme members and pensioners. The leaflet highlighted alternative methods of communication and invited those preferring one of these alternative methods to advise us accordingly. This leaflet continues to be issued to all new Scheme members and it was last updated during 2009/10 and will be revised again during 2011/12.

- A survey in 2004 among a sample of 1000 members identified that there was a lower uptake of Scheme membership in a certain age grouping. However, the overall conclusion from this survey was that employers had made Scheme membership widely available.

- A feasibility study on the use of a lo-call telephone charging system concluded that such a system would not be introduced until such times as demand dictated. A low cost number was subsequently introduced in March 2009.

4. The impact assessment on the Investment of Contributions was issued for consultation in March 2004. A number of responses were received and have been considered. Completion of the assessment was deferred until the Statement of Investment Principles was reviewed and a separate Socially Responsible Investment Policy prepared. The final report will be published during 2011/12.

5. The impact assessment on the Procurement of Goods and Services was issued for consultation in March 2004. Results of a further consultation exercise specifically with NILGOSC suppliers proved inconclusive. The NILGOSC Purchasing Policy has also been revised and updated since the initial impact assessment. As a result of this EQIA all future and current suppliers are now required to complete a Fair Employment Declaration.

6. The impact assessment on Personnel Policies is on-going. Following recommendations from an initial consultation exercise a number of employment related policies were revised and issued for staff consultation. As a result some policies will no longer be included in this impact assessment. Details of this decision will be included in the EQIA. Impact Assessments are being finalised (12 policies in total) and the exercise is now timetabled for completion by March 2012.

7. Impact assessments on new policies are an on-going aspect of the Equality Scheme. Policies relating to employment, which have been identified for impact assessment, have been included in the EQIA on Personnel Policies. Regulation 108 the Local Government Pension Scheme Regulations (NI) 2002 as amended requires employers to publish and keep under review a policy on the discretions it can exercise on certain aspects of the Scheme. NILGSOC issued a Policy Statement on Employer's Discretions for impact assessment in December 2007 however this policy has since been revised in light of changes to the pension scheme regulations introduced in April 2009. A final report is timetabled for completion during 2011/12.

8. Progress against the Equality Scheme is communicated on an annual basis to the Equality Commission.

ANNUAL EQUALITY STATEMENT CONTINUED

9. Specific training for those managers responsible for the implementation of the Equality Scheme has been undertaken. Staff have attended a conference on equality and continue to receive training and updates on equality issues through staff conferences and through internal communications. Awareness training is provided for new members through the induction procedure.

10. NILGOSC have not received any complaints regarding equality issues in the 2010/11 period. The last equality related complaint was made in 2003/04 and was addressed through changes made to the regulations in 2009.

11. During the period 2010/11 NILGOSC has continued to provide publications in alternative formats.

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, easy read or on computer disc) and/or language, please contact the Equality Officer at:

Address:	NILGOSC, Templeton House, 411 Holywood Road, Belfast, BT4 2LP
Telephone:	0845 308 7345
Typetalk:	18001 0845 308 7345 (for people using a textphone)
Fax:	0845 308 7344
Email:	info@nilgosc.org.uk

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

INVESTMENT OF THE FUND

Background

The Regulations require the Committee 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, the Committee must determine a suitable investment strategy, which provides both a high return on investments and an acceptable level of risk.

All income received by the Committee, 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 the Committee 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 2011 is included on pages 79 and 80.

Fund Management

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

The Committee 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;
- to have regard to the suitability of investments;
- to monitor the performance of the managers and from time to time review their appointment; and
- to take proper advice, obtained at regular intervals.

The Committee maintains overall control of the Fund by:

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

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

INVESTMENT OF THE FUND CONTINUED

During 2010/11 the Committee made one change to its specialist manager structure, replacing its global unconstrained equity investment manager, Wellington Global Contrarian Equity, with Edinburgh Partners. In October 2009, the Committee undertook a formal review of the Wellington Global Contrarian Equity mandate and accepted the advice of its investment advisor that the product was not a suitable fit with the long term investment strategy of the pension scheme. A full public tender exercise for a replacement global unconstrained equity manager commenced in January 2010. Edinburgh Partners was appointed in June 2010 and, following a due diligence exercise, the assets were transferred from Wellington Global Contrarian Equity to Edinburgh Partners in October 2010.

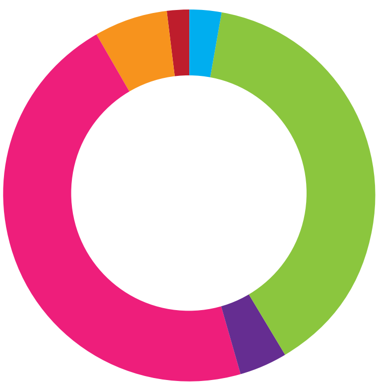
The allocation of the fund between asset classes is determined by the Committee at its annual strategy meeting, normally held in June each year. The Committee's passive manager is responsible for maintaining the asset allocation within the agreed ranges. When a range is breached, Legal & General will rebalance the Fund back within the agreed tolerance. At its annual asset allocation meeting in June 2010, the Committee agreed to maintain its existing overall asset allocation.

At 31 March 2011, the Committee had the following fund managers in place to manage its investment portfolio:

Asset Type	Fund manager	% of Total Fund
UK Equities	Baillie Gifford	10.3%
UK Unconstrained Equities	BlackRock Investment Management	6.8%
	Jupiter Asset Management	6.0%
Global Equities	Wellington Management	5.9%
Global Unconstrained Equities	Baillie Gifford	5.6%
	Edinburgh Partners	5.4%
Bonds	Aberdeen Asset Management	7.3%
Passive Fund	Legal & General	45.6%
Property	LaSalle Investment Management	7.1%

Investment Objectives

The majority of the Fund's liabilities are linked to inflation and salary growth. The overall objective of the Committee is therefore to invest the majority of the assets in investments which are expected to exceed price inflation and general salary growth over long periods.



- Fixed Interest securities (2.8%)
- Equities (38.8%)
- Index linked securities (4%)
- Managed or unitised funds (46.2%)
- UK Properties (6.3%)
- Other (1.9%)

Each element of the Fund portfolio has its own specific performance measure however, as an overall target, the Committee expects the fund return over a 5 year rolling period to outperform the rate of increase in the Retail Price Index (RPI) by 5%. The Committee monitors the performance of its investment managers by availing of HSBC's performance measurement and reporting facility. Each manager is remunerated on a fee basis, dependent on the market value of the portfolio.

The managers have each been given a performance target and asset allocation ranges compiled by the Committee, using indices applicable to the asset type and geographic market.

The standard target and benchmark for each asset class of the fund as at 31 March 2011 is as follows:

Asset Class	Weight	Target /Benchmark Indices
UK Equities	**32.0%**	FTSE All Share Index + 2% FTSE All Share Index + 4% MSCI World Developed UK + 3% FTSE All Share Index
Overseas Equities	**43.0%**	FTSE All World Developed Index (ex UK) + 2% FTSE All World Index + 3% MSCI World Developed Index (ex UK) + 3% FTSE All World North America Index FTSE All World Developed Europe ex UK FTSE All World Japan FTSE All World Developed Asia Pacific ex Japan FTSE All World All Emerging
Bonds	**15.0%**	
	9.0%	Merrill Lynch £ Non Gilts (Investment Grade) + 0.75% iBoxx £ non-Gilt ex BBB
	6.0%	FTSE Over 5 Year Index Linked Gilts + 0.75% FTSE Over 5 Year Index Linked Gilts
Property	**10.0%**	IPD Long Term Funds £100-£500m Index + 1%
Total	**100%**	

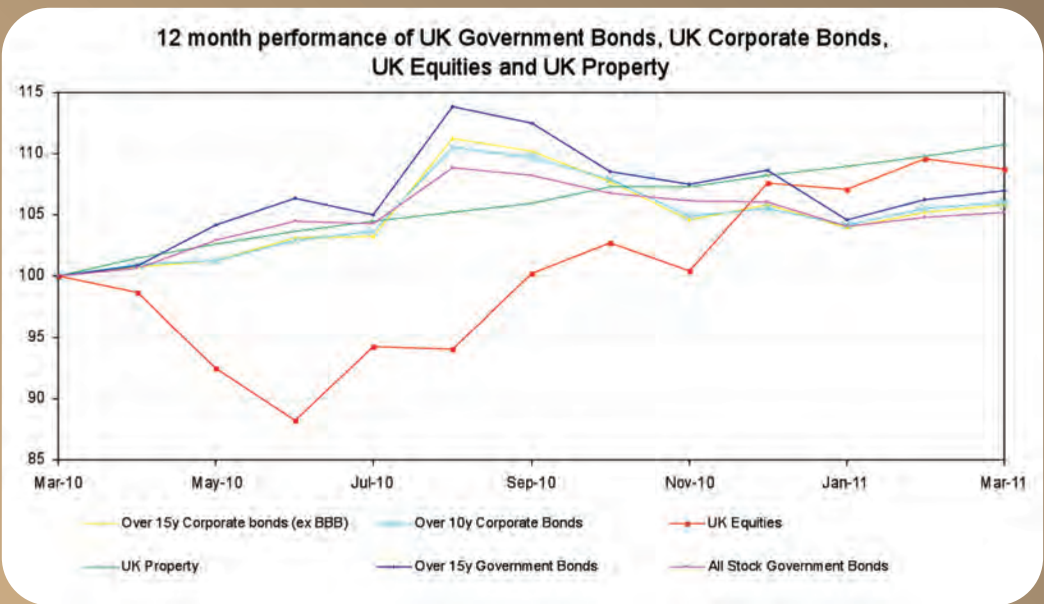
INVESTMENT OF THE FUND CONTINUED

Market Report

The year to 31 March 2011 saw equity markets continue to perform well, building on the strong recovery witnessed in the year to March 2010. Markets were well supported throughout the year by monetary and fiscal policies across the world and particularly those adopted by the Federal Reserve in the US, who introduced a second round of quantitative easing in November and the Bank of England in the UK, which kept interest rates on hold at 0.5%. By the end of the period stronger than expected economic data and corporate profits helped risk assets such as equities. However the performance of markets was not smooth over the year.

In the UK the economy had in fact shrunk over the fourth quarter of 2010, whilst many market commentators had expected Gross Domestic Product (a measure of the total output of a country) growth to remain positive. The reasons for the decline in output were attributed solely to the adverse weather conditions which many claimed resulted in the 0.5% fall in growth. By the end of the first quarter of 2011, GDP growth had returned to be positive and was up 0.5%.

The chart below shows the movement in major investment markets based on month end data over the most recent twelve month period, rebased to 100. The chart shows that there has been a large amount of volatility in the investment returns over the year. For example at one point during the year, the UK equity market was down more than 10% and then recovered considerably, ending the year up nearly 9%. On a similar fashion the return on government bonds was strong up until August 2010 and then fell back before recovering again from February. The majority of the return from fixed interest government bonds (gilts) came in the first half of the period as investors worried about the economic recovery and started to expect the Bank of England to buy gilts in the market. Corporate bonds broadly matched the returns delivered on fixed interest government bonds, whilst the UK commercial property market continued its recovery, ending the year to 31 March 2011 up by just over 10%.

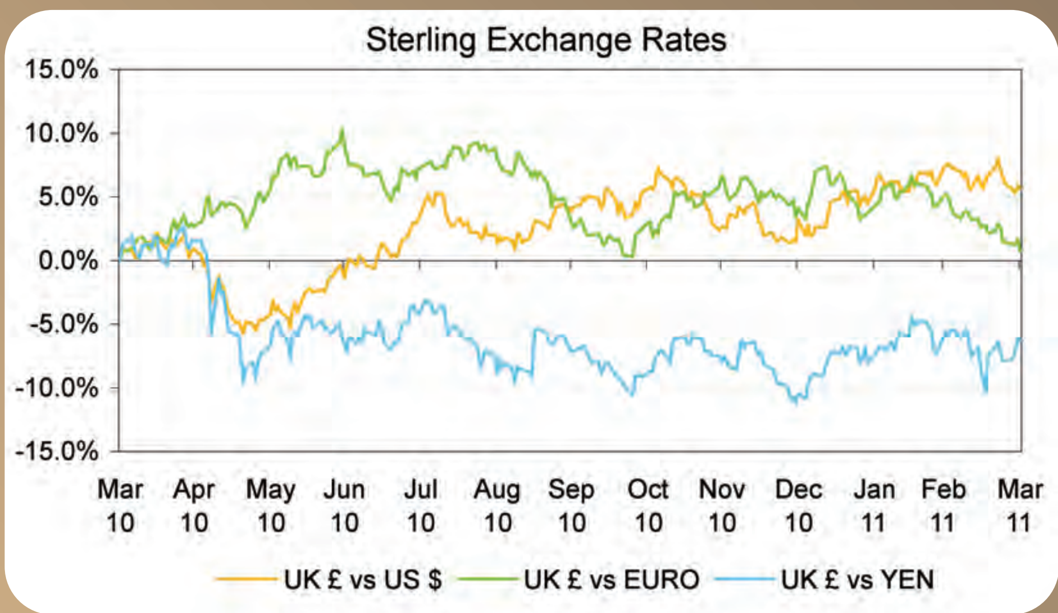


Equities
All major equity regions with the exception of Japan delivered positive returns over the year. The UK equity market returned 8.7% over the twelve months to 31 March 2011. Performance continued to vary for companies depending on their market capitalisations (sizes). Large cap companies underperformed mid cap and small cap companies by 10.0% and 7.6% respectively over the year.

All sectors experienced positive returns during the year. As the economic recovery began to gain momentum, the more defensive sectors posted modest returns. The Consumer Services and Healthcare sectors were the two worst performing sectors with returns of 1.2% and 3.1% respectively. In contrast the Telecommunications sector posted a very strong return (+22.8%) during the year. The best performing sector was Technology (+26.3%), though this sector constitutes only a small amount of the UK equity index, the FTSE All-Share.

Globally, emerging market equities were the strongest performing region in sterling terms (+12.4%), whilst US equities were the strongest performing region in local currency terms (+15.4%). Overseas, the best performing sectors were the Oil & Gas and Basic Materials sectors. The defensive Utilities and Healthcare sectors were the worst performing.

Currencies
Sterling finished the year marginally up (+0.8%) against the euro. The sovereign debt crisis in Europe pushed the euro down while the likelihood that the ECB would raise rates in advance of other central banks pushed the euro up. Sterling strengthened against the dollar (+5.7%) as the US continued with its ultra loose monetary policy. Despite the earthquake in Japan and the resulting Tsunami, and intervention during the year to weaken the yen, the yen still finished the year up 6.3% against sterling.
The chart below shows the movements in exchange rates over the year for sterling versus the dollar, euro and yen.



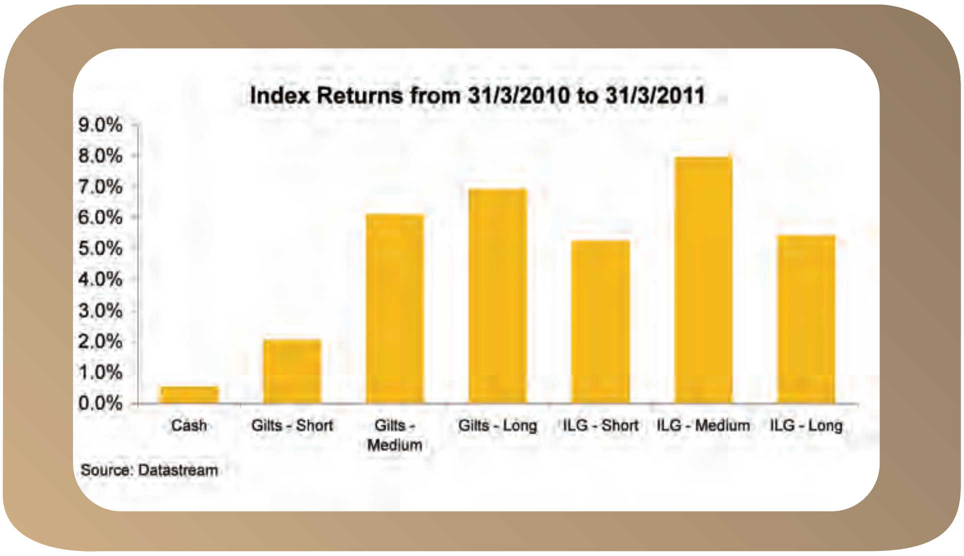
INVESTMENT OF THE FUND CONTINUED

Bonds

Official interest rates in the UK, US, and Eurozone were unchanged over the year and there is an expectation for these to remain at very low levels. The Bank of Japan marginally lowered its official interest rate in October to a range of 0.0% to 0.1%, from a rate of 0.1%. [Following the year end, the ECB increased rates by 0.25% to 1.25%.]

The Bank of England has continued to maintain its base rate at the exceptionally low level of 0.5%, although Monetary Policy Committee member views on interest rates have started to diverge.

The chart below shows the returns on cash and government bonds over the last year, although the returns themselves mask the volatility experienced over the year.



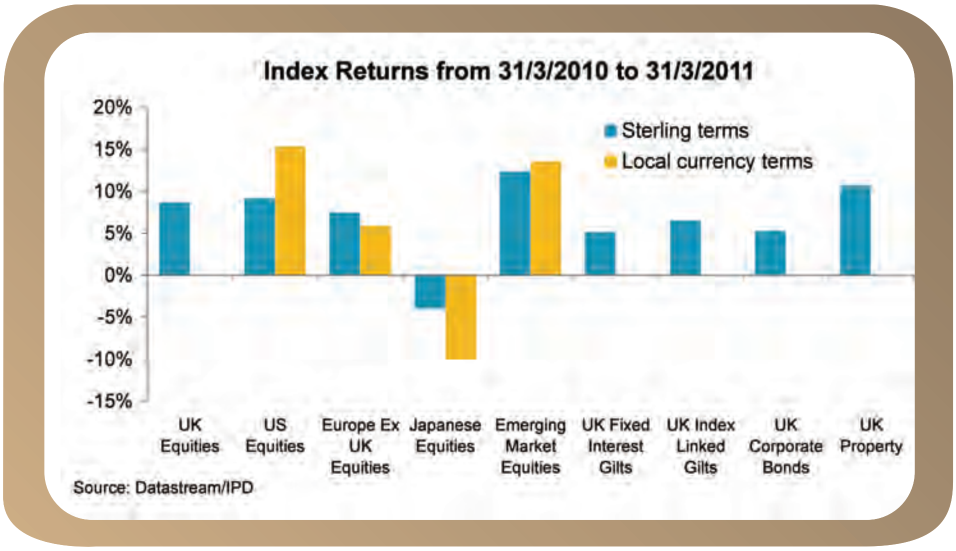
During the year, fixed interest gilt yields fell to historic lows. More recently gilt yields have increased although medium and longer dated yields still ended the year at slightly lower levels.

Inflation has been persistently higher than expected in the UK and this resulted in greater demand for inflation linked assets such as index linked gilts. As demand for this asset increased, it helped index-linked gilts as a whole outperform fixed interest gilts over the year.

Credit spreads – the difference between the yields on non-government bonds and equivalent maturity government bonds – as measured by the Merrill Lynch Non-Gilts Index were broadly flat over the year, having declined significantly since their peak in 2009. Therefore a significant part of the positive return delivered by corporate bonds was driven by the fall in gilt yields.

In summary, the last financial year has seen risk assets and safe haven assets perform well, with equities (except for Japan), government bonds, corporate bonds and the UK commercial property market all posting positive returns. Markets have reacted well to the high levels of support provided and the accommodating economy policy adopted by central banks across the globe. However, the period does mask the high level of volatility seen in the performance of markets, shown by the monthly changes in first chart – particularly the first half of the year when there was continued concern over sovereign debt and economic recovery. The yield on fixed interest government bonds fell in the first half of the year, fuelled by increased risk aversion in the market and an expectation that interest rates would remain low for the foreseeable future and the likelihood of a second round of quantitative easing. In the second half of the year, as the economic outlook improved, yields on fixed interest government bonds increased. However by the end of the year they still remained at historically low levels.

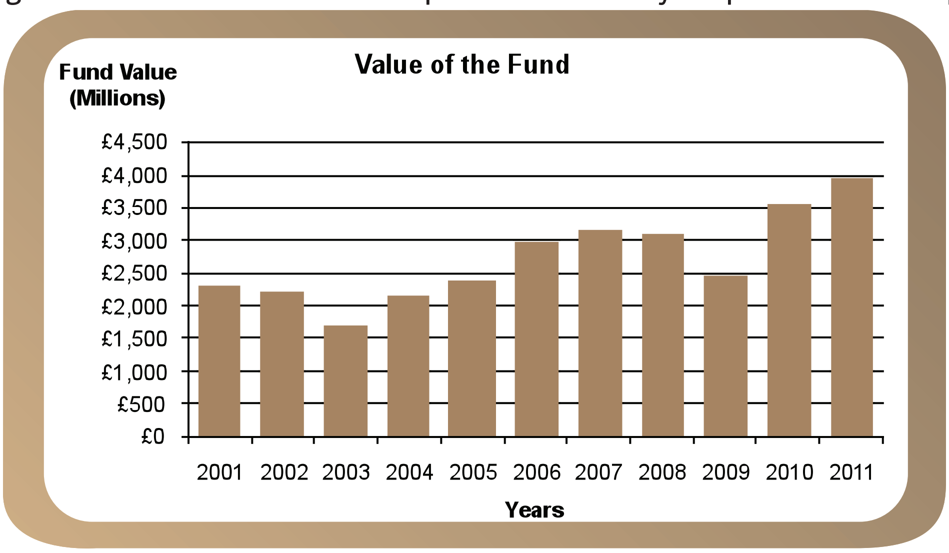
The graph below shows the index returns on the main asset classes/regions both in local currency and in sterling terms, for the year to 31 March 2011.



Fund Value

The value of the Fund at 31 March 2011 was £3,953m (2009/10 £3,556m), an increase of £397m (11.2%) on the previous year.

Market values can fluctuate widely over short periods of time, reflecting short-term changes in investment conditions. In contrast, the triennial valuation of the fund is concerned with the long-term and uses actuarial assumptions. The actuary's report is shown on pages 79 and 80.



INVESTMENT OF THE FUND CONTINUED

Investment performance

Over the year to 31 March 2011, the fund achieved an overall return on the total assets of 10.4%. In comparison the Committee's composite benchmark was 9.8%, resulting in a net excess return of 0.6%.

The Retail Price Index increased by 5.3% and Average Weekly Earnings increased by 1.7% during 2010/11.

The performance of the individual managers is monitored against their corresponding benchmark on a quarterly basis. The performance returns for each fund manager for the year ended 31 March 2011 are as follows:

	Fund Return %	Target Return %	Excess Return %
Baillie Gifford			
UK Equity	21.67	10.72	10.95
Unconstrained	18.03	11.39	6.64
Wellington	9.55	9.92	-0.37
BlackRock	15.17	12.72	2.45
Jupiter	15.44	10.72	4.72
Edinburgh Partners*	5.77	11.61	-5.84
Aberdeen	6.22	6.87	-0.65
Legal & General	7.75	7.71	0.04
LaSalle	9.12	11.70	-2.58

* Since inception 11 October 2010

The Committee's three UK equity managers, Baillie Gifford, BlackRock and Jupiter, outperformed their respective targets during the year ended 31 March 2011, delivering returns of 10.95%, 2.45% and 4.72% respectively. Two out of the three global equity managers failed to meet their performance targets, with returns relative to the target of 6.64%, -0.37% and -5.84% for Baillie Gifford, Wellington and Edinburgh Partners respectively.

The Committee's fixed income manager, Aberdeen also failed to meet its performance objective with a relative return of -0.65%, while the property manager, LaSalle underperformed its annual target by -2.58%.

The Committee was also pleased with the performance of its passive manager, Legal & General, who matched or exceeded the index in all eleven markets in which it was invested during the year. In addition to tracking the various indices Legal & General maintained the Scheme's overall asset distribution in line with the agreed asset allocation, within pre-determined control ranges.

All of the Committee's active managers work to longer term investment horizons, the minimum of which is 3 years, and accordingly the Committee is not unduly concerned with short term performance returns. The Committee does however have in place a robust quarterly monitoring process which aims to look behind returns to see the underlying cause of any underperformance. The Committee remains confident in the underlying investment process adopted by its external fund managers and expects all managers to deliver the target level of return over the longer term.

The Committee's objective remains to achieve the maximum return on fund investments in the longer term, having due regard to the liabilities of the fund and an acceptable level of investment risk. Accordingly, it is important that undue attention is not given to the returns for a single year in isolation.

The comparable statistics for the three and five year periods to 31 March 2011 on an annualised basis are:

	Three Years % P.A.	% of Total Fund
Return of Fund	7.37	5.11
Increase in RPI Target (RPI + 5%)	8.11	8.58
Composite Benchmark	7.53	5.63
Increase in Average Weekly Earnings Target (NAE + 5%)	6.78	8.34

Top 10 Equity Holdings at 31 March 2011

Company	Total Investment £'000's	% of Total Fund Equity Portfolio
BG Group	58,502	3.8%
Rio Tinto	45,944	3.0%
British American Tobacco	40,179	2.6%
BHP Billiton	33,473	2.2%
Standard Chartered	30,748	2.0%
HSBC Holdings	28,327	1.9%
Royal Dutch Shell	23,297	1.5%
Vodafone	23,153	1.5%
Tullow Oil	19,347	1.3%
Glaxosmithkline	19,306	1.3%

A full list of the Committee's equity holdings is made available annually through the Publication Scheme, which can be accessed at www.nilgosc.org.uk.

Socially Responsible Investment

Like many responsible investors, the Committee faces an ongoing challenge to reconcile the need to obtain the best financial return against the desire for sound social, environmental and ethical practices. Under current UK law, pension schemes such as NILGOSC are not permitted to exclude investments solely on ethical grounds.

INVESTMENT OF THE FUND CONTINUED

The Committee's Statement of Investment Principles acknowledges that Environmental, Social and Governance (ESG) issues can affect the performance of investment portfolios and states that it will take such matters into consideration as part of the investment process. The Committee has set out its approach to ESG issues in its Statement of Responsible Investment, a copy of which is available on the Scheme's website.

The Committee delegates the selection of investments to its fund managers and does not currently impose any investment restrictions with respect to social, ethical and environmental issues. NILGOSC does not make any investments solely for social, ethical or environmental reasons. Instead, the Committee has instructed its active fund managers to take account of social, ethical and environmental considerations provided the primary financial obligation is not compromised.

The Committee believes that the best contribution NILGSOC can make in the arena of responsible investment is through the targeted execution of voting rights and the promotion of ESG within the investment management industry.

Voting

As a responsible investor, the Scheme has a legitimate interest in the management of those companies in which it invests and uses its voting rights to express concern. Proxy voting is a means of maintaining effective shareholder oversight of directors and company policies, a process on which the current system of UK corporate governance depends. Through the exercise of its voting rights, NILGOSC seeks to improve corporate behaviour in respect of business, social and environmental ethics in addition to the Scheme's fiduciary responsibility to add value to its investments. The Committee sets out its expectations in 3 documents; *UK Voting Policy, Northern American Voting Policy and International Voting Policy.* The voting policies provide a basis for communicating with investee companies and holding directors accountable for their stewardship of the company. The policies represent NILGOSC's view on what it believes are important elements of good corporate governance and identify its voting guidelines on specific issues. A copy of these policies can be obtained from the Fund's website

NILGOSC currently avails of the research and advisory services of RiskMetrics, which, in addition to providing specific vote recommendations, is an important source of information on the non-financial aspects of a company's performance. NILGOSC exercises its voting rights at all company meetings, where possible, and will vote against management if there are significant ESG or corporate governance failings.

A summary of the Fund's UK and global voting record for the year ended 31 March 2011 is shown below:

	Global	UK
Annual General Meetings	242	122
Other Meetings	55	24
Resolutions	3,350	1,893
Votes for Management	1,902	1,355
Votes Against Management	1,448	538

The Fund voted against management on 38% of occasions with excessive remuneration and board composition being the principle reasons for dissent. A more detailed analysis of the Funds' voting activity can be found on the website.

Engagement

When appointing an investment manager, the Committee assesses its ability to include ESG issues within the investment decision making process. Any manager not able to demonstrate such a capability will be excluded from the next stage of the selection process. During the recent selection exercise for a global unconstrained equity manager, ESG capabilities accounted for 5% of the overall score. A number of managers did not adequately demonstrate that they were capable of taking social, ethical and environmental issues into consideration when making investment choices. These managers were not considered for inclusion on the short-list.

The Committee monitors the action taken in this area by its existing active and passive investment managers on a quarterly basis.

NILGOSC is part of a responsible investment roundtable of leading UK pension funds, whose aim is to share knowledge and experience and thereby improve behaviours across the investment industry. NILGOSC is also a member of the Local Authority Pension Fund Forum, which aims to bring together a large investor base from which to influence companies' corporate behaviour and social responsibility. The Forum seeks to address ESG issues through direct engagement with 'offending' companies, governments and other relevant bodies on global issues such as climate change, executive remuneration and audit assurance.

As a signatory to the UN Principles of Responsible Investment, the Committee has further demonstrated its commitment to being a responsible investor and has undertaken to engage with companies on ESG issues, either directly or through its investment managers, and to participate in collaborative engagement activities.

Climate Risk

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

The changing climate presents a variety of risks and opportunities for pension fund investors. Investment practices should therefore seek to protect assets from climate risks such as weather events and regulatory change, while simultaneously seizing the new opportunities that a low-carbon economy presents. Accordingly, NILGOSC has developed its Climate Risk Statement which acknowledges the importance of climate risk as an investment issue and sets out the steps which will be taken to address it.

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 until they reach the normal retiring age of 65. The conditions of service including notice periods are those laid down by the NJC for Local Government Services and various local agreements.

Further information on the NJC for Local Government Services and the Green Book can be found at www.lge.gov.uk.

Salary and Pension Entitlements

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

Senior Management Emoluments (audited)

	2010/2011		2009/2010	
Officers	**Salary £**	**Benefits in Kind £**	**Salary £**	**Benefits in Kind £**
Deane Morrice Secretary	75,001-80,000	1,239	75,001-80,000	1,170
David Murphy Deputy Secretary	60,001-65,000	1,239	60,001-65,000	1,170

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

	2010/2011		2009/2010	
	Salary £	Benefits in Kind £	Salary £	Benefits in Kind £
Trevor Salmon	12,000	-	9,000*	-

* From 1 July 2009

Salary

Salary includes gross salary, performance pay or bonuses, overtime, recruitment and retention allowances, private office allowances and any other allowance that is subject to U.K. taxation.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. Both the Secretary and the Deputy Secretary were in receipt of an essential car user's allowance of £1,239.

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

Management Committee Members' Attendance Allowance

Committee Members	2010/11 Meeting Fee £	2009/10 Meeting Fee £
Stewart Cuddy	-	565
David Bell	1,356	1,582
Pat Cumiskey	2,260	2,147
Frank Dunne	1,921	2,147
Brendan Heaney	1,356	1,356
Lewis Love	1,243	2,260
Albert Mills	791	990
Joseph Donaghy	2,147	1,921 *
Julie Erskine	2,034	1,921 *
Bumper Graham	1,921	1,808 *
Celine McCartan	1,469	1,356 *
Colin O'Hare	1,243	1,243 *

* Appointed on 1 July 2009.

REMUNERATION REPORT CONTINUED

Pension benefits (Audited)

Officers	Accrued Pensions at Age 65 as at 31/03/11 & Related Lump Sum	Real Increase in pension & related Lump Sum at Age 65	CETV at 31/03/11	CETV at 31/03/10	Real Increase in CETV
Deane Morrice Secretary	40,395 plus lump sum of 113,203	1,089 plus lump sum of -696	933,140	922,526	(16,457)
David Murphy Deputy Secretary	14,404 plus lump sum of 36,969	946 plus lump sum of -263	174,223	188,346	(21,943)

Pension benefits are provided through the NILGOSC Scheme. This is a statutory scheme that provides benefits on a 'final salary' basis at a normal retirement age of 65. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service up to 31 March 2009 and at a rate of 1/60th for each year after. 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% - 7.5% of pensionable earnings. Pensions increase annually in line with the Consumer Prices Index. On death, pensions are payable to the surviving spouse, nominated co-habiting partner or civil partner. On death in service, the Scheme will pay a lump sum benefit of three times pensionable pay and will also provide a service enhancement on computation of the spouse's pension.

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, not just 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 benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The actuarial factors used in the CETV calculation were changed during 2011, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure to uprate NILGOSC pensions. This means that the CETV in this year's report for 31 March 2011 will not be the same as the corresponding figure shown in last year's report.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, 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.

D W Morrice MBE
Secretary
23 August 2011

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

- observe the Accounts Direction issued by the Department of Finance and Personnel, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and

- prepare the accounts on a going concern basis.

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

STATEMENT OF INTERNAL CONTROL

Statement on Internal Control for the Financial Year Ended 31 March 2011

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Northern Ireland Local Government Officers' Superannuation Committee'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 Northern Ireland.

I am responsible to the Department of the Environment for the preparation of the annual accounts and for maintaining a sound system of internal control. I make an annual statement that I have reviewed the effectiveness of the system of internal control.

The functions and responsibilities of the Committee are laid down in the Local Government Pension Scheme Regulations (Northern Ireland) 2009. The Committee prepares each year a Corporate Plan, which sets out its objectives over a three-year period together with the appropriate targets and key performance measures. Results against targets and key performance measures are reported quarterly to the Department of the Environment and are also reported in the Annual Report at the year end.

2. The purpose of the system of 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. The system of internal control has been in place in the Northern Ireland Local Government Officers' Superannuation Committee for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Department of Finance & Personnel guidance.

3. Capacity to handle risk

NILGOSC has established a Risk Management Policy which sets out its risk control framework and appetite to risk. The Risk Management Policy has been developed in accordance with current Treasury and best practice guidance. The policy sets out the process for identifying, managing and reporting risks within the organisation. Senior managers review the risks that have been assigned to them on a quarterly basis to ensure that the existing controls are still effective and to re-assess the risk score if necessary.

The Risk Register is reviewed annually by the senior managers and any action to be taken during the year ahead is recorded on the Risk Register. A report and the revised Risk Register are considered by the Audit Committee prior to submission to the Management Committee for approval.

STATEMENT OF INTERNAL CONTROL CONTINUED

4. The risk and control framework

In order to ensure achievement of the strategic objective, the Committee has formulated a risk control framework. This framework comprises the following key elements:

- An assessment of the organisation's appetite for risk;
- A determination of the risks, including information risks, that could arise and a measure of their importance is determined by scoring each risk using a 4x4 matrix. Those risks that were scored at a level of 8 or above are referred to as key risks;
- Identification of how the risks, including information risks, can be controlled;
- Use of passwords and access rights for users to access IT systems and the use of passwords and encryption to protect files that contain personal information before they are sent to third parties. A log is maintained to record details of the files sent, including the name of the recipient, the time it was sent and acknowledgement received;
- Reinforce efforts to ensure that NILGOSC's working culture supports the proper use of information;
- Inclusion of risk control in the Corporate Planning process;
- Quarterly review of the Risk Register by the Committee's managers to confirm that the controls are operating effectively and that no new risk areas or control weaknesses have been identified. Managers are also required to state any action taken during the period in addressing key risks;
- Review of the Risk Register and Statements of Assurance by the Senior Management Team on a quarterly basis. The results of these reviews are reported to the Audit Committee and the Management Committee on a quarterly basis; and
- Publication of an Annual Statement by the Accounting Officer.

The risk priorities during 2010/11 included:

- Identifying the key risks which could prevent NILGOSC achieving its strategic objective;
- A scenario test of the Business Continuity Plan which was carried out on 6th and 7th December 2010. The overall aim of the test was to ensure that, in the event of an incident that results in denial of access to Templeton House, the disaster recovery site can be operational to enable normal business processes to be conducted and appropriate action taken to advise staff and stakeholders of the situation. All objectives for the exercise were met, but a few minor issues were noted during the testing.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of internal control is informed by the work of the internal auditors and the senior managers within the Committee who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system in place. The review included the following:

- an annual report from the Internal Auditor on the status of the internal control system;
- regular reviews by the Committee of periodic and annual reports which indicate financial performance against the forecast;
- setting targets to measure financial, investment and other performance by the Committee and its appointed investment managers;
- reviews by the Committee of quarterly and annual performance reports on the performance of the investment managers;
- quarterly reviews by the Senior Management Team of the Risk Register and the Statements of Assurance completed by risk owners; and
- AAF 01/06 and SAS 70 reports from the auditors of Fund Managers and the Global Custodian.

The Audit Committee in its advisory role promotes both a climate of robust financial discipline and control and the development of internal control including risk management. The Annual Report of the Audit Committee for the year to 31 March 2011 is included on pages 81 to 84.

The Internal Audit service works to an agreed audit plan, carried out in accordance with standards set by HM Treasury in the Government Internal Audit Manual and the Institute of Internal Auditors UK & Ireland. 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 Audit Committee and copies of all final reports are sent to me as Accounting Officer. In addition, Internal Audit provides an annual written statement to the Audit Committee, setting out a formal opinion on the adequacy and effectiveness of the Committee's risk management, control and governance processes.

6. Significant Internal Control Issues

No major Internal Control Issues were identified arising from the review of the effectiveness of the system of internal control. The quarterly review of internal controls provides an opportunity for continuous improvement.

D W Morrice MBE
Secretary
23 August 2011

FUND ACCOUNT
Year ended 31 March 2011

	Note	2010/11 £'000	2009/10 £'000
Contributions and Benefits			
Contributions receivable	4	**190,218**	180,402
Transfers in		**6,734**	10,636
		196,952	191,038
Benefits	5	**(152,062)**	(140,574)
Payments to and on account of leavers	6	**(6,759)**	(6,164)
Administration expenses	7	**(1,950)**	(2,659)
		(160,771)	(149,397)
Net additions from dealings with members		**36,181**	41,641
Return on investments			
Investment Income	8	**58,807**	51,151
Change in market value of investments	9	**306,675**	979,170
Gains arising from changes in fair values	10	**3,957**	23,034
Investment management expenses	11	**(10,760)**	(9,428)
Net return on investments		**358,679**	1,043,927
Net Increase in the Scheme during the year		**394,860**	1,085,568
Net actuarial Gains / (Losses) recognised in the year	18	**1,283**	(2,079)
		1,283	(2,079)
Opening net assets of the Scheme		**3,556,366**	2,472,877
Closing net assets of the Scheme		**3,952,509**	3,556,366

NET ASSETS STATEMENT
For The Year ended 31 March 2011

	Note	2010/11 £'000	2009/10 £'000
Non-current assets			
Financial assets	9	**3,634,471**	3,314,423
Intangible assets	12	**10**	4
Property, plant and equipment	13	**1,600**	1,744
Revaluation reserve	14	**(135)**	(153)
Investment properties	10	**248,625**	200,225
Total non-current assets		**3,884,571**	3,516,243
Current assets			
Trade and other receivables	15	**25,990**	25,049
Cash and cash equivalents	16	**55,216**	30,705
Total current assets		**81,206**	55,754
Total assets		**3,965,777**	3,571,997
Current liabilities			
Trade and other payables	17	**(11,806)**	(12,127)
Total current liabilities		**(11,806)**	(12,127)
Non-current assets plus net current assets		**3,953,971**	3,559,870
Non-current liabilities			
Retirement benefit obligations	18	**(1,462)**	(3,504)
Total non-current liabilities		**(1,462)**	(3,504)
Assets less liabilities		**3,952,509**	3,556,366

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Committee. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the statement by the Actuary on pages 79 to 80 and these financial statements should be read in conjunction with it.

Deane Morrice MBE
Secretary
23 August 2011

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	2010/11 £'000	2010/11 £'000	2009/10 £'000	2009/10 £'000
Cash flows from operating activities				
Net increase / (decrease) in the Scheme during the year	**394,860**		1,085,568	
Adjustments for non-cash transactions				
Change in market value of investments and gains arising from changes in fair value	**(310,632)**		(1,002,204)	
Depreciation	**155**		166	
Movement in pension fund liability	**(759)**		82	
Adjustments for movements in working capital				
Increase in trade and other receivables	**(941)**		(559)	
Decrease in trade and other payables	**(321)**		2,144	
Net cash inflow from operating activities		**82,362**		85,197
Cash flows from investing activities				
Purchase of property, plant & equipment and intangible assets	**(35)**		(38)	
Purchase of investment properties	**(48,923)**		(34,092)	
Purchase of investment assets	**(1,256,511)**		(1,382,624)	
Proceeds of disposal of investment properties	**4,480**		5,101	
Proceeds of disposal of investment assets	**1,243,138**		1,325,467	
Net cash outflow from investing activities		**(57,851)**		(86,186)
		24,511		(989)
Net increase / (decrease) in cash and cash equivalents in the period		**24,511**		(989)
Cash and cash equivalents at the beginning of the period		**30,705**		31,694
Cash and cash equivalents at the end of the period		**55,216**		30,705

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

1. Basis of Preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997, guidance set out in the Statement of Recommended Practice (Revised May 2007) (where applicable) and the 2010/2011 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Northern Ireland Local Government Officers' Superannuation Committee for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Northern Ireland Local Government Officers' Superannuation Committee are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

2. Accounting policies

The accounts are prepared on an accruals basis.

2.1 Valuation of investments

- Quoted investments are stated at bid value, excluding any accrued income, or if the bid value is unavailable, at the value of the most recent transaction date.
- Unquoted investments are valued at the manager's bid value.
- Pooled investments are stated at the manager's unit value on a bid price basis if published, or, if single priced, at the closing single price.
- Fixed interest securities and index linked securities are valued on a bid price basis excluding accrued interest. Accrued interest is included within investment income receivable.
- Derivatives are valued on a fair value basis.

2.2 Income from investments

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

Income from equities includes irrecoverable withholding tax.

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

2.3 Rental income

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

2.4 Contributions and benefits

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

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 CONTINUED

2.5 Transfers to and from other schemes
Transfers are accounted for on a receipts and payments basis.

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

2.7 Administration Expenses
Administration expenses are accounted for on an accruals basis.

2.8 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.

2.9 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.

2.10 Property, Plant and Equipment
Property is valued on the basis of open market value at 31 March 2011 by the independent chartered surveyors BNP Paribas REAL Estate in accordance with the RICS Appraisal and Valuation Manual.

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

2.11 Investment Properties
Investment properties are valued on the basis of open market value at 31 March 2011 by the independent chartered surveyors BNP Paribas REAL Estate in accordance with RICS Appraisal and Valuation Manual. The carrying amounts of these assets approximate their fair value.

2.12 Depreciation of property, plant and equipment
Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives. The selection of these estimated lives requires the exercise of management judgement.

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

2.14 Financial Instruments

Trade Receivables

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

Trade Payables

Trade payables are stated at their nominal value.

3. Segmental Information

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

4. Contributions receivable

		2010/11 £'000	2009/10 £'000
Employers			
	normal	**127,303**	120,953
	early retirement funding	**6,170**	5,619
	special contributions *	**5,040**	1,899
Employees			
	normal	**47,016**	47,296
	additional voluntary contributions	**4,689**	4,635
		190,218	180,402

* The special contributions were receivable from Royal College of Nursing, Agricultur Research Institute of Northern Ireland and South Eastern Regional College for strain on the fund costs.

5. Benefits

	2010/11 £'000	2009/10 £'000
Pensions *	**105,473**	99,612
Commutations and lump sum retirement benefits	**42,351**	37,975
Lump sum death benefits	**4,238**	2,987
	152,062	140,574

*In addition, £4.349m of agency and compensation pensions were paid on an agency basis and recharged to employing authorities (2009/10:£4.435m).

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 CONTINUED

6. Payments to and on account of leavers	**2010/11 £'000**	2009/10 £'000
Refund to members leaving service	**29**	12
Payment for members joining state scheme	**2**	4
Transfers to other schemes	**6,728**	6,148
	6,759	6,164

7. Administration expenses	**2010/11 £'000**	2009/10 £'000
Staff Costs	**637**	1,481
Agency Staff Costs	**36**	14
Office Overheads	**348**	388
Depreciation	**155**	166
Communication	**94**	104
Rental Income	**(45)**	(45)
Other Administration	**151**	143
Actuarial Fees	**178**	74
Internal Audit Fees	**24**	24
External Audit Fees	**29**	38
Legal and other Professional fees	**284**	210
Medical fees	**59**	62
	1,950	2,659

NILGOSC occupies 67% of Templeton House and net rental income received in respect of the 33% of the property not occupied by NILGOSC is accounted for within Administration expenses.

8. Investment income	2010/11 £'000	2009/10 £'000
Fixed interest securities	**5,936**	5,571
Dividends from equities	**34,420**	30,224
Index-linked securities	**2,167**	2,189
Pooled Investment vehicles	**1,914**	1,866
Net rents from properties	**14,953**	11,141
Interest on deposits	**968**	330
Stock lending Income	**570**	446
Other - Class Actions/foreign exchange gains/(losses) & other income	**(1,521)**	(16)
	59,407	51,751
Irrecoverable withholding tax	**(600)**	(600)
Total Investment Income	**58,807**	51,151

Stock lending

The Fund's securities lending programme continued during the year ended 31 March 2011. The main features of the programme are:

(i) Lending maximum of 35% of total investment assets.
(ii) Global Custodian acts as securities lending manager and collateral manager.
(iii) Collateral comprises of debt issued by France, Italy, Germany, UK Gilts and International Equities.

As at 31 March 2011, securities amounting to £77,554,574 were on loan against collateral of £83,084,210. (2009/10: Securities amounting to £66,643,814 were on loan against collateral of £75,948,370).

9. Financial assets

	Value at 01 04 2010 £' 000	Purchases at cost £' 000	Sales proceeds £' 000	Reclassifications £' 000	Change in market value £' 000	Value at 31 03 2011 £' 000
Fixed interest securities	109,787	76,847	(76,406)	-	790	111,018
Equities	1,328,916	765,170	(643,409)	(95,520)	172,961	1,528,118
Index-linked securities	145,559	33,857	(30,754)	-	7,477	156,139
Pooled investment vehicles	1,713,936	374,077	(487,721)	95,520	125,260	1,821,072
Derivative Contracts	-	1,391	(1,475)	-	(114)	(198)
AVC investments	16,225	5,169	(3,373)	-	301	18,322
	3,314,423	1,256,511	(1,243,138)	-	306.675	3,634.471

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year and reinvested income arising on the Legal & General Pooled investments. In the case of deposits and other investment balances, this relates to exchange gains and losses.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 CONTINUED

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £2,620,306 (2009/2010: £2,621,958). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

	2010/11	2009/10
	£'000	£'000
Fixed interest securities		
UK public sector	**111,018**	108,764
Overseas fixed interest	**-**	1,023
	111,018	109,787
Equities		
UK quoted	**936,167**	775,564
UK unquoted	**1,722**	2,263
Overseas quoted	**590,229**	551,089
	1,528,118	1,328,916
Index-linked securities	**156,139**	145,559
Pooled Investment vehicles		
Unit trusts - property	**24,064**	22,834
Unit trusts - other	**1,797,008**	1,691,102
	1,821,072	1,713,936
Derivative contracts		
CBT 10 year treasury future	**162**	-
Long gilt future	**(360)**	-
	(198)	-

Futures Contracts

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

Foreign Currency Hedging

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

There were no forward currency contracts in place at 31 March 2011 (2009/10: £NIL).

AVC Investments

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

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

The aggregate amounts of AVC investments are as follows:

	2010/11 £'000	2009/10 £'000
Equitable Life Assurance Company Limited		
Equitable Life with profits	**281**	273
Equitable Life unit-linked funds	**91**	83
Equitable building society fund	**50**	50
	422	406

	2010/11 £'000	2009/10 £'000
Prudential Life Assurance Company Limited		
Prudential With Profits Accumulation Fund	**4,712**	4,487
Prudential Deposit Fund	**8,917**	7,937
Prudential Cash Fund	**376**	340
Prudential Discretionary Fund	**515**	402
Prudential Fixed Interest Fund	**130**	113
Prudential Global Equity Fund	**97**	83
Prudential Index Linked Fund	**187**	144
Prudential International Equity Fund	**177**	165
Prudential Long Term Growth Fund	**19**	10
Prudential Overseas Equity Passive Fund	**15**	10
Prudential Property Fund	**222**	214
Prudential Retirement Protection Fund	**408**	331
Prudential Socially Responsible Fund	**154**	129
Prudential UK Equity (Passive) Fund	**702**	629
Prudential UK Equity (Active) Fund	**170**	198
Prudential Corporate Bond Fund	**51**	38
Prudential Aberdeen Balanced Fund	**88**	62
Prudential Pre Retirement Fund	**129**	109
Prudential UK Specialist Equity Fund	**113**	88
Prudential Aberdeen Life North American Equity Fund	**21**	16
Prudential BGI Aquila (60:40) Global Equity Index Fund	**10**	6
Prudential BGI Aquila All Stocks Corporate Bond	**77**	51
Prudential BGI Aquila UK Equity Index Fund	**98**	66
Prudential BGI Aquila World ex UK Index Fund	**69**	57
Prudential Newton International Growth Fund	**31**	13
Prudential BGI (50:50) Global Equity Index Fund	**193**	86
Prudential BGI Aquila over 15 years UK Gilt Index	**185**	35
Prudential Index Linked Passive Fund	**34**	-
	17,900	15,819

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 CONTINUED

10. Investment Property

	2010/11 £'000	2009/10 £'000
Fair Value		
At start of year	**200,225**	148,200
Additions	**48,923**	34,092
Sales	**(4,480)**	(5,101)
Gains/(losses) arising from changes in fair values	**3,957**	23,034
At end of year	**248,625**	200,225

The investment properties were valued as at 31 March 2011 by qualified professional valuers working for BNP Paribas REAL estate, Chartered surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institute of Chartered Surveyors (RICS). The properties were valued on the basis of Market Value. All valuations were carried out in accordance with the RICS Appraisal and Valuation Standards.

NILGOSC received rental income of £15.0m (2009/10: £11.1m) 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 payments under non-cancellable operating leases expiring:

	2010/11 £'000	2009/10 £'000
Not later than one year	**14,558**	13,075
Later than one year and not later than five years	**49,604**	45,956
Later than five years	**50,670**	46,236
	114,832	105,267

11. Investment Management Expenses

	2010/11 £'000	2009/10 £'000
Administration, management and custody	**10,462**	9,085
Performance measurement services	**27**	27
Other advisory fees	**271**	316
	10,760	9,428

12. Intangible assets

	Computer software £'000
Cost	
At 1 April 2010	**114**
Additions	**8**
At 31 March 2011	**122**
Depreciation	
At 1 April 2010	**110**
Charge for the year	**2**
At 31 March 2011	**112**
Net book value	
At 31 March 2010	**4**
At 31 March 2011	**10**

Computer software is depreciated on a straight-line basis over a period of three years. All the intangible assets are owned by NILGOSC.

13. Property, Plant & Equipment

	Property £'000	Fixtures, Fittings & Equipment £'000	Refurbishment £'000	Total £'000
Cost				
At 1 April 2010	1,425	534	733	**2,692**
Revaluation	(75)	-	-	**(75)**
Additions	-	27	-	**27**
At 31 March 2011	**1,350**	**561**	**733**	**2,644**
Depreciation				
At 1 April 2010	-	472	476	**948**
Charge for the year	57	35	61	**153**
Backlog depreciation	(3)	-	-	**(3)**
Revaluation Adjustment	(54)	-	-	**(54)**
At 31 March 2011	**-**	**507**	**537**	**1,044**
Net book value				
At 31 March 2010	1,425	62	257	**1,744**
At 31 March 2011	**1,350**	**54**	**196**	**1,600**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 CONTINUED

The property was valued as at 31 March 2011 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 is owned by NILGOSC.

14. Revaluation reserve

	2010/11 £'000	2009/10 £'000
At 1 April 2010	**(153)**	-
Revaluation at 31 March 2011	**21**	(157)
Backlog depreciation	**(3)**	4
at March 2011	**(135)**	(153)

15. Trade and other receivables

	2010/11 £'000	2009/10 £'000
Receivables and other current assets	**5,916**	4,422
Other receivables	**270**	341
Less: Provision for impairment of receivables	**(1,156)**	(1,827)
Receivables and other current assets-net	**5,030**	2,936
Pension contributions due *	**10,893**	11,151
Prepayments and accrued income	**10,067**	10,962
	25,990	25,049

*All contributions due to the Scheme relate to the month of March 2011 and were paid in full to the scheme within the timescale required by the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009.

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.

	2010/11 £'000	2009/10 £'000
At 1 April	**30,705**	31,694
Net change in cash balances	**24,511**	(989)
	55,216	30,705
The following balances at 31 March were held at:		
Commercial banks and cash in hand	**15,163**	9,139
Investment cash	**40,053**	21,566
	55,216	30,705

17. Trade and other payables

	2010/11 £'000	2009/10 £'000
Trade payables and other current liabilities	**1**	158
Unpaid benefits	**3,464**	1,928
VAT	**85**	1,140
Accruals and deferred income	**8,256**	8,901
	11,806	12,127

18. Retirement benefit obligations

Retirement Benefit Obligation

NILGOSC provides pension arrangements for the benefit of its employees through the NILGOSC Scheme. This is a defined benefit scheme and operates on a Final Salary basis and at the year-end had 49 active members (2009/10: 50), 36 deferred members (2009/10: 30) and 13 pensioners (2009/10: 11).

NILGOSC's accounting policy for recognising actuarial gains and losses is to recognise these immediately through the statement of recognised gains and losses.

Pensions liabilities

	2010/11 £'000	2009/10 £'000
Total market value of assets	**5,144**	4,643
Present value of scheme liabilities	**(6,606)**	(8,147)
Pension scheme deficit	**(1,462)**	(3,504)
Present value of unfunded liabilities	**-**	-
Retirement benefit obligations	**(1,462)**	(3,504)

Financial assumptions

A full actuarial valuation of the NILGOSC defined benefit scheme was carried on 31 March 2010 and showed a deficit of £ 783m. The financial assumptions have been updated by independent qualified actuaries to take account of the requirements of IAS19 in order to assess the liabilities of the scheme at 31 March 2011:

	2010/11 %	2009/10 %
Rate of increases in salaries	**5.1**	5.3
Discount rate	**5.5**	5.5
Expected return on assets	**6.9**	7.2
Inflation / Pension increase rate	**2.8**	3.8

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 CONTINUED

Demographic assumptions

The demographic assumptions are in line with those adopted for the last formal actuarial valuation for the Scheme. Life expectancy is based on the SAPS year of birth tables, with improvements from 2007 in line with the medium cohort and a 1% underpin. Mortality loadings were applied to the SAPS tables based on membership class. Based on these assumptions, the average life expectancies at age 65 are summarised below:

	2010/11	2009/10
	Years	Years
Current pensioners (at age 65) - males	**22.9**	20.8
Current pensioners (at age 65) - females	**25.7**	24.1
Future pensioners (at age 65) - males	**24.9**	22.3
Future pensioners (at age 65) - females	**27.7**	25.7

The next funding valuation of the Scheme is due to be carried out as at 31 March 2013, when the mortality trends under the Scheme will be reviewed and the demographic assumptions updated if appropriate.

Analysis of assets and expected rates of return

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

	2010/11	2009/10
	%	%
Equities	**77.0**	77.0
Bonds	**14.0**	14.0
Property	**6.0**	6.0
Cash	**3.0**	3.0

The expected long-term rates of return at 31 March 2011 are:

	2010/11	2009/10
	%	%
Equities	**7.5**	7.8
Bonds	**4.9**	5.0
Property	**5.5**	5.8
Cash	**4.6**	4.8

The expected return on assets is based on the long term future expected investment return for each asset class as at the beginning of the period.

Analysis of amount charged against profits	2010/11	2009/10
	£'000	£'000
Operating cost		
Current service cost	226	104
Past Service Cost	(868)	57
	(642)	161
Finance cost		
Expected return on plan assets	339	218
Interest on scheme liabilities	(417)	(316)
Net finance income	(78)	(98)

Scheme assets

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

	2010/11	2009/10
	£'000	£'000
Fair value of scheme assets at start of year	4,643	3,203
Expected return on scheme assets	339	218
Contributions by Members	77	73
Contributions by the Employer	195	177
Benefits paid	(117)	(161)
Actuarial gains	7	1,133
Fair value of scheme assets at end of year	5,144	4,643

Retirement benefit obligations

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

	2010/11	2009/10
	£'000	£'000
Present value of obligations at start of year	8,147	4,546
Current service cost	226	104
Losses/(gains) on curtailment	-	-
Interest cost	417	316
Contributions by Members	77	73
Past Service costs/(gains)	(868)	57
Unfunded benefits paid	-	-
Benefits paid	(117)	(161)
Actuarial losses/(gains)	(1,276)	3,212
Present value of obligation at end of year	6,606	8,147

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 CONTINUED

Statement of actuarial gains and losses

	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
Gain/(loss) at start of year	(3,024)	(945)	(292)	(766)	-
Net actuarial gains/(losses) recognised in the year	1,283	(2,079)	(653)	474	(780)
Gain/(loss) at end of year	(1,741)	(3,024)	(945)	(292)	(780)

History of experience gains and losses

	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
Experience adjustments arising on scheme assets	7	1,133	(1,156)	(593)	(40)
Experience gains / (losses) arising on scheme liabilities	609	-	-	-	-
Actuarial (losses)/gains	616	1,133	(1,156)	(593)	(40)
Fair value of scheme assets	5,144	4,643	3,203	3,948	4,160
Present value of Defined Benefit Obligation	(6,606)	(8,147)	(4,546)	(4,644)	(5,292)
Pension scheme deficit	(1,462)	(3,504)	(1,343)	(696)	(1,132)

19. Staff numbers and related costs

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

	2010/2011 Total £'000	2010/2011 Permanently employed staff £'000	2010/2011 Others £'000	2009/10 Total £'000
Directly employed	48	47	1	49
Agency staff	2	-	2	1
	50	47	3	50

All staff are permanent employees of NILGOSC (excluding Agency staff).
The costs incurred in respect of these employees were:

	Total	2010/2011 Permanently employed staff	Others	2009/10 Total
	£'000	£'000	£'000	£'000
Wages and salaries	1,266	1,230	36	1,225
Social security costs	79	79	-	84
Other pecsion costs	(672)	(672)	-	186
Total	673	637	36	1,495

Staff Costs

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the Consumer Prices Index (CPI), rather than the Retail Prices Index (RPI), will be the basis for future pension increases to public sector pensions in payment and deferment. This change has been allowed for in this year's pension Scheme's actuarial calculations, thereby explaining the significant pension scheme credit and consequent reduction in staff costs arising in the year.

20. Performance against key financial targets

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

21. Contingent liabilities and contractual commitments

There were no contingent liabilities at 31 March 2011 (2010: £NIL). At the year end NILGOSC had no capital development commitments in respect of its properties (2010:£NIL).

22. Related party transactions

NILGOSC is a Non-Departmental Public Body sponsored by the Department of the Environment.

The Department of the Environment is regarded as a related party and transactions were not considered to be material.

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

23. Change from Retail Prices Index (RPI) to Consumer Prices Index (CPI)

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011 CONTINUED

The change from RPI to CPI for the purposes of uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. The negative past service cost of £868,000 is included in staff costs under Administration Expenses in Note 7. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

The question of whether, as regards the main public service pensions schemes, there is a legitimate expectation that RPI will be used for inflation indexing is currently before the courts in judicial review proceedings. The Government's case is that no legitimate expectation exists and that, in any event, even if there was a legitimate expectation this was overridden by the clear public interest in making very substantial savings at a time when the Government had adjudged that deficit reduction was a fundamental objective for the country. If the Government's case is proven, there would be no change to the accounting treatment adopted in these accounts.

24. Summary of losses and special payments

(i) Losses
Losses incurred on sale of investments are disclosed as a "Change in Market Value" in Note 9.

During 2010/11 there was a suspected pension fraud amounting to £4,140. The Department of the Environment and the Local Government Auditor were notified on 31 March 2011. There was also a loss of £175 arising from the overpayment of pension payments.

(ii) Special payments
There were no special payments during the year.

This statement has been prepared in accordance with Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2010/11.

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' PENSION FUND ("THE FUND") ACTUARIAL STATEMENT FOR 2010/11

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2011. In summary, the key funding principles are summarised as follows:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible and at reasonable cost to the Scheme Employer, Admitted Bodies and to the tax payer;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the Administering Authority considers it reasonable to do so.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 31 of the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009 was as at 31 March 2010. This valuation revealed that the Fund's assets, which at 31 March 2010 were valued at £3,540 million, were sufficient to meet 82% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £783 million.

Individual employers' contributions for the period 1 April 2011 to 31 March 2014 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in my valuation report dated 31 March 2011.

METHOD

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' PENSION FUND ("THE FUND") ACTUARIAL STATEMENT FOR 2010/11 CONTINUED

ASSUMPTIONS

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2010 valuation were as follows:

Financial assumptions	31 March 2010 % p.a. Nominal	% p.a. Real
Discount rate	6.1%	2.7%
Pay increases *	5.3%	0.8%
Price inflation/ Pension increases	3.3%	-

* plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter.

The key demographic assumption was the allowance made for longevity. Based on these assumptions, the average future life expectancies at age 65 are as follows:

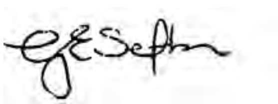
	Males	Females
Current Pensioners	22.9 years	25.7 years
Future Pensioners	24.9 years	27.7 years

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from NILGOSC, the administering authority to the Fund.

Experience over the year since April 2010

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2011. It showed that the funding level (excluding the effect of any membership movements) remained broadly unchanged over 2010/11.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy Statement will also be reviewed at that time.



Gemma Sefton
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP

10 August 2011

THE OPINION OF THE LOCAL GOVERNMENT AUDITOR TO THE ACCOUNTING OFFICER FOR THE DEPARTMENT OF THE ENVIRONMENT

I have audited the financial statements of Northern Ireland Local Government Officers' Superannuation Committee for the year ended 31 March 2011 under Regulation 29(6) of the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009. These comprise the Fund Account, Net Assets Statement, Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Northern Ireland Local Government Officers' Superannuation Committee through the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland).Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Northern Ireland Local Government Officers' Superannuation Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Local Government Officers' Superannuation Committee; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view of the financial transactions of the Northern Ireland Local Government Officers' Superannuation Committee during the year ended 31 March 2011 and of the amount and disposition at that date of the assets and liabilities (other than liabilities to pay pensions and benefits after the end of the Scheme year); and

- the financial statements have been properly prepared in accordance with Regulation 29(2) of the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited have been properly prepared in accordance with Regulation 29(2) of the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009;

- the information given in the Executive Summary, Foreword and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the contributions payable to the Scheme during the year ended 31 March 2011 have been paid in accordance with the rules of the Scheme and with the recommendation of the Actuary.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or

- I have not received all of the information and explanations I require for my audit; or

- the Statement on Internal Control does not reflect compliance with the Department of Finance and Personnel's guidance.

Louise Mason

Louise Mason
Local Government Auditor
Northern Ireland Audit Office
106 University Street
Belfast
24 August 2011

ANNUAL REPORT OF THE AUDIT COMMITTEE FOR YEAR ENDED 31 MARCH 2011

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 Committee during the year ended 31 March 2011.

1.2 This report provides a summary of the main areas and issues considered by the Audit Committee during 2010/11.

2. Constitution of the Audit Committee

2.1 The Management Committee established an Audit Committee to act in an advisory capacity. The Audit Committee consists of 4 members (including the Chair) appointed by the Committee.

2.2 Following the reconstitution of the Management Committee on 1 July 2009, the Committee appointed Pat Cumiskey, Bumper Graham, David Bell and Celine McCartan to its Audit Committee and appointed David Bell as Chair of the Audit Committee at its meeting on 25 August 2009.

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

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

2.4 Draft minutes of the Audit Committee are circulated at the next available meeting of the Management Committee for information and approved at the next meeting of the Audit Committee.

3. Financial Reporting

3.1 The Annual Report and Accounts 2009/10 were prepared in accordance with the FReM and the revised SORP – Financial Reports of Pension Schemes (2007). On the recommendation of the Audit Committee, the Annual Report was approved by the Management Committee at its meeting on 24 August 2010.

3.2 The FReM 2009/10 saw the introduction of International Financial Reporting Standards, as adapted for the public sector. There were a number of reclassifications and presentational changes to the financial statements as a result of the transition to IFRS reporting. There were no accounting issues arising out of the Annual Report and Accounts 2009/10.

ANNUAL REPORT OF THE AUDIT COMMITTEE FOR YEAR ENDED 31 MARCH 2011 CONTINUED

4. External Audit

4.1 As in previous years, the NIAO sub-contracted the 2009/10 external audit to PriceWaterhouseCoopers. The Local Government Auditor, John Buchanan retained responsibility for signing the audit report and providing an annual opinion.

4.2 The Local Government Auditor issued a clean audit opinion for the year ended 31 March 2010.

4.3 The External Auditor advised the Audit Committee that there was one significant issue identified during the course of the audit, the impending litigation with United Dairy Farmers. It was noted that while the impending litigation does not have an impact on the financial statements, it has the potential to have a significant impact on NILGOSC going forward. The External Auditor confirmed to the Audit Committee that he was content that management continued to actively monitor the issue.

4.4 The Audit Committee approved the Audit Strategy 2010/11 in February 2011.

5. Internal Audit

5.1 The Internal Auditor sought and obtained approval from the Audit Committee for the Strategic Internal Audit Plan and Audit Needs Assessment for the 5 years ended 31 March 2015. The Strategic Internal Audit Plan and Audit Needs Assessment was circulated to the Management Committee for information on 28 September 2010.

5.2 Internal Audit provided an opinion on the following activities during 2010/11:
- IT Systems
- Corporate Governance and Risk Management
- Payments
- Pensions Development
- 'One off' Review of Regulatory Changes

5.3 Substantial assurance was given in respect of the Review of Pensions Development and the 'One off' Review of Regulatory Changes. A satisfactory assurance rating was given in respect of the remaining three reviews.

5.4 In their Annual Assurance Statement the Internal Auditors stated that during the twelve month period ended 31 March 2011, NILGOSC's internal control systems were adequate and operated effectively, thereby providing satisfactory assurance regarding the effective and efficient achievement of objectives.

5.5 Internal Audit did not consider there to be any significant weaknesses relevant to the preparation of the Statement of Internal Control for the year ended 31 March 2011. In addition, there are no significant issues arising as a result of the internal audit reviews undertaken during 2010/11.

6. Risk, Control and Governance

6.1 The Audit Committee approved the Risk Register 2009/10 in May 2010. The Audit Committee requested that management undertake a review of four risks: *Failure to provide services in the event of a business interruption including banking, telecom and postal systems, strikes, pandemics and civil unrest; Failure to develop appropriate investment strategy/funding strategy giving rise to inadequate matching of assets and liabilities; Failure of fund managers to deliver target level of performance; and Ineffective communication to stakeholders.* Following this review, the net risk scores of the latter two risks were increased and the Audit Committee approved the corresponding amendments to the Risk Register in August 2010.

6.2 Two additional risks were identified by management and added to the Risk Register 2010/11 during the year: *The effect of the Independent Public Service Pensions Commission review* and *Inability to deliver quotations within performance standards due to delays with GAD providing updated factors and revised calculation routines.* The Audit Committee was content with the amendments made to the Risk Register 2010/11.

6.3 The Audit Committee receives a quarterly report from the executive officers summarising the operation of the risk management process during each three month period. In addition to the key risks facing the organisation, the reports also identify those risks that lie with the Management Committee. The quarterly reports provide the Audit Committee with assurance that the risk management process is operating effectively and that any internal control weaknesses are promptly and adequately addressed. An abbreviated version of the quarterly report is circulated to the Management Committee for information at the next available meeting.

7. Fraud

7.1 The Annual Fraud Report 2010/11 stated that there was one instance of suspected fraud identified during the year ended 31 March 2011. The case was identified through the National Fraud Initiative and involves a suspected pension benefit fraud, which has arisen as a result of the next of kin failing to notify NILGOSC of the date of death. The total pension overpayment is £4,139.82 and recovery action is currently underway.

7.2 It is noted that the suspected fraud did not arise from a weakness in the existing internal control environment.

ANNUAL REPORT OF THE AUDIT COMMITTEE FOR YEAR ENDED 31 MARCH 2011 CONTINUED

8. Other

8.1 The Audit Committee reviewed its Terms of Reference in November 2010 and noted that there had been no changes in internal governance arrangements or best practice which required the Terms of Reference to be updated.

8.2 In May 2009, the Department of the Environment advised the Secretary of its intention to attend Audit Committee meetings as an observer. The Department also requested copies of all internal audit reports. A Department representative attended 1 meeting during the year ended 31 March 2011.

8.3 The Audit Committee reviewed the Risk Management Policy in February 2011 and recommended a number of minor amendments to the Management Committee for approval.

8.4 The Audit Committee agreed a series of Key Performance Indicators to be used to assess the effectiveness of the internal audit function on an annual basis.

8.5 The Audit Committee reviewed the outcome of the annual Business Continuity Test undertaken in December 2010.

9. Effectiveness of the Audit Committee

9.1 The Audit Committee met 4 times during 2010/11 in accordance with the planned work programme.

9.2 The following table sets out the attendance record for 2010/11:

Member	Meetings Called	Meetings Attended	Attendance %
David Bell	4	3	75%
Pat Cumiskey	4	4	100%
Bumper Graham	4	4	100%
Celine McCartan	4	3	75%

9.3 The Audit Committee undertook its annual assessment of effectiveness in February 2011. The Audit Committee was aided by a proforma Self Evaluation Questionnaire. The Audit Committee was content that it had discharged its duties under the terms of reference in an efficient and effective manner and that it has added value to the risk, control and governance processes within NILGOSC.

10. Opinion

10.1 Based on the assurances and information provided during the year ended 31 March 2011, the Audit Committee is satisfied that the Management Committee can rely on the risk management, internal control and corporate governance arrangements currently in operation.

EMPLOYING AUTHORITIES CONTRIBUTING TO THE SCHEME AT 31 MARCH 2011

Councils

Antrim Borough Council
Ards Borough Council
Armagh City & District Council
Ballymena Borough Council
Ballymoney Borough Council
Banbridge District Council
Belfast City Council
Carrickfergus Borough Council
Castlereagh Borough Council
Coleraine Borough Council
Cookstown District Council
Craigavon Borough Council
Derry City Council
Down District Council
Dungannon & South Tyrone Borough Council
Fermanagh District Council
Larne Borough Council
Limavady Borough Council
Lisburn City Council
Magherafelt District Council
Moyle District Council
Newry & Mourne District Council
Newtownabbey Borough Council
North Down Borough Council
Omagh District Council
Strabane District Council

Education and Library Boards

Belfast Education & Library Board
North Eastern Education and Library Board
South Eastern Education and Library Board
Southern Education and Library Board
Western Education and Library Board
Libraries NI

Restricted Membership

United Dairy Farmers*
Royal College of Nursing**
Hochtief Facility Management
Graham Asset Management
Alpha Housing (NI) Limited
City of Derry Airport (Operations) Ltd

* Former Milk Marketing Board Scheme members as at 28 February 1995
** Closed to new entrants since 1 April 1990

Associated Bodies

Apex Housing
Ards Citizens' Advice Bureau
Arc21 Joint Committee
Ark Housing Association Northern Ireland Limited
Armagh Observatory
Armagh Planetarium
Arts Council of Northern Ireland
Belfast Charitable Society
Belfast Visitor & Convention Bureau
Citybus Limited
Coleraine Harbour Commissioners
Comhairle Na Gaelscolaiochta
Community Relations Council
Connswater Housing Association Limited
Construction Industry Training Board
Council for Catholic Maintained Schools
Council for the Curriculum, Examinations and Assessment
Countryside Recreation: Northern Ireland
Covenanter Residential Association Limited
Derry Visitor and Convention Bureau
Down District Citizens' Advice Bureau
Engineering Training Council (NI) Limited
Filor Housing Association Limited
Fire Authority for Northern Ireland
Flax Housing Association Limited
Fold Housing Association
General Teaching Council for Northern Ireland
Glenmona Resource Centre
Gosford Housing Association
Grove Housing Association Limited
Habinteg Housing Association (Ulster) Limited
Harmony Homes (NI) Limited
Hearth Housing Association Limited
Helm Housing
Ilex URC Limited
Linen Hall Library
Livestock & Meat Commission for Northern Ireland

EMPLOYING AUTHORITIES CONTRIBUTING TO THE SCHEME AT 31 MARCH 2011

Local Government Staff Commission
Middletown Centre of Autism
Millennium Forum
Mourne Heritage Trust
Newington Housing Association (1975) Limited
Northern Ireland Association of Citizens' Advice Bureaux
Northern Ireland Co-Ownership Housing Association Limited
Northern Ireland Council for Integrated Education
Northern Ireland Federation of Housing Associations
Northern Ireland Fishery Harbour Authority
Northern Ireland Hospice
Northern Ireland Housing Executive
Northern Ireland Legal Services Commission
Northern Ireland Local Government Association
Northern Ireland Local Government Officers' Superannuation Committee
Northern Ireland Railway Company Limited
Northern Ireland Tourist Board
Northern Ireland Transport Holding Company
Oaklee Housing Association
Probation Board for Northern Ireland
Rural Development Council for Northern Ireland
Rural Housing Association
South Ulster Housing Association Limited
Sports Council for Northern Ireland
Sports Institute Northern Ireland
St Matthew's Housing Association Limited
Staff Commission for Education and Library Boards
SHAC Housing Association
Trinity Housing
Ulidia Housing Association Limited
Ulsterbus Limited
Youth Council for Northern Ireland
Youth Justice Agency for Northern Ireland
Youthnet

Schools and Colleges

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

EMPLOYING AUTHORITIES CONTRIBUTING TO THE SCHEME AT 31 MARCH 2011

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

Further and Higher Education Colleges and Universities

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

GLOSSARY

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

Term Definition

Active Member
Current member of the pension scheme who is building up retirement benefits from their present job.

Active Management A style of investment management whereby the manager seeks to add value to the fund by actively buying and selling shares.

Actuary Expert on pension scheme assets, liabilities, life expectancy and probabilities. An actuary works out whether enough money is being paid into a pension scheme to pay the pensions when they are due.

Actuarial Valuation An assessment performed by an actuary, usually every three years, to determine how much money needs to be put into a pension scheme to ensure that there are sufficient funds available to meet future pension payments.

Asset Allocation The decision as to which mix of assets to buy – shares, bonds, property or cash.

Additional Voluntary Contributions (AVC's)
Contributions made by an individual over and above the normal contribution level to increase the level of benefits available on retirement. These contributions are paid to an insurance company.

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 prediction of what their final pension might be.

Consumer Price Index
A measure of consumer inflation.

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.

Deferred Benefits Benefits which are 'frozen' 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.

Final Salary Scheme The most common type of 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.

Index In the stock market, an index is a

GLOSSARY

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 Price Index.

Index Tracking Fund Investments are made to match closely the performance of a market index such as the FTSE All-Share Index. It does not aim to outperform the market like active management does.

Inflation The general rate of increase in prices and wages over a period of time.

Occupational Pension Scheme A pension scheme established by an employer to provide pension benefits to its employees on their retirement.

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.

Retail Price Index A measure of consumer inflation.

SecuritiesA 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.

Stock Selection The process of selecting which individual shares and bonds to buy and sell.

Superannuation A term used to describe contributions made to a pension scheme, particularly in the public sector.

Transfer Value The value of an individual's pension rights, which can be transferred to another pension scheme to provide alternative benefits if they have left the Local Government Pension Scheme.

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