

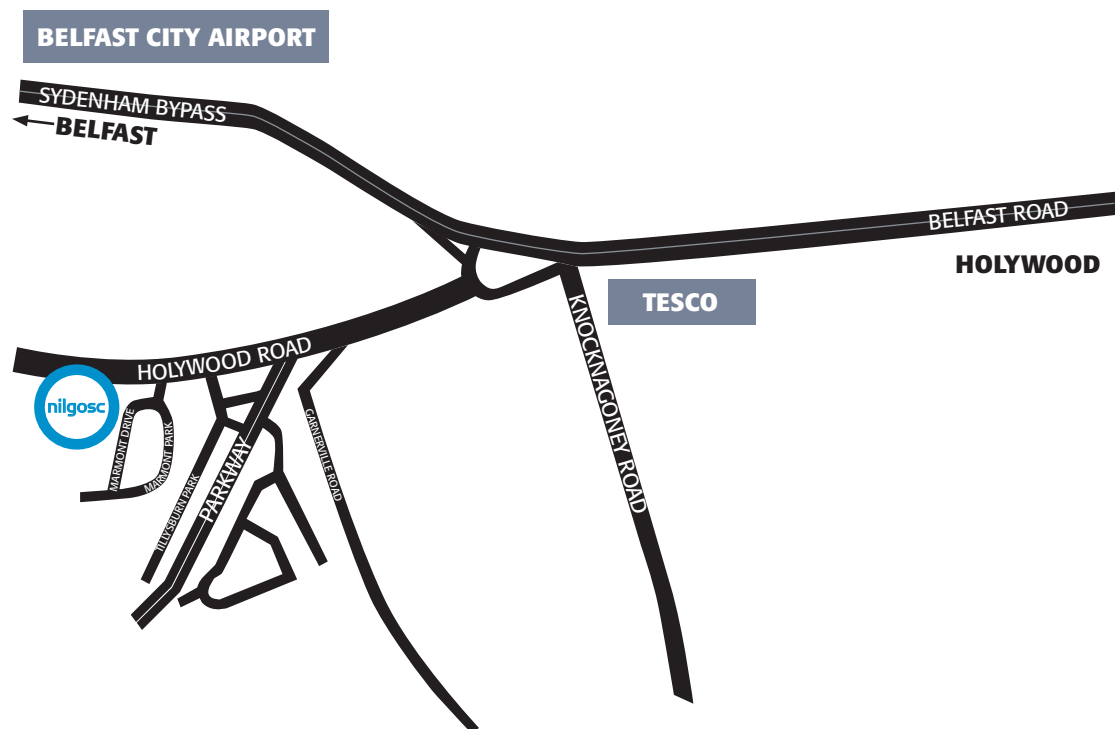


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Northern Ireland
Local Government Officers'
Superannuation Committee

Annual
Report
2004/05

nilgosc



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:

NILGOSC
Templeton House
411 Hollywood Road
Belfast BT4 2LP

Telephone: 028 9076 8025
Fax : 028 9076 8790
Email: info@nilgosc.org.uk

Typetalk: 18001 028 9076 8025 (for people using a text phone)
Website: www.nilgosc.org.uk

This annual report can be made available in a wide range of alternative formats. Requests for alternative formats should be made to the Deputy Finance Manager at the above address. In addition to the Annual Report, NILGOSC can provide other 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 2005

Laid before the Houses of Parliament by the Department of the Environment in accordance with Paragraph 12(2) and (4) of the Schedule to the Northern Ireland Act 2000 and Paragraph 39 of the Schedule to the Northern Ireland Act 2000 (Prescribed Documents) Order 2004

29 November 2005

Laid before the Northern Ireland Assembly under Regulation 76(8) of the Local Government Pension Scheme Regulations (Northern Ireland) 2002 by the Department of the Environment

29 November 2005

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Highlights

2004/05 saw another challenging year for NILGOSC following the completion of the triennial valuation of the fund as at 31 March 2004, together with continued uncertainty over the future provision of retirement benefits within the public sector. Despite these challenges, there have been a number of achievements over the past twelve months of which NILGOSC is justifiably proud.

Key Achievements

Administration

- Membership of the Scheme continued to grow with 73,995 contributing members, pensioners and deferred pensioners at 31 March 2005.
- High customer service levels were maintained with on average 93% of key stakeholders either satisfied or very satisfied with the level of service they received over the past 12 months.
- Following the latest triennial valuation as at 31 March 2004, the Committee announced a series of stepped employer contribution rate increases to take effect from 1 April 2005.



Investment

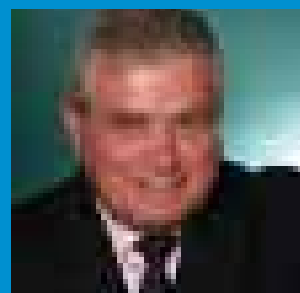
- The value of the fund increased by £198m to £2.4bn during the year ended 31 March 2005.
- For the second year running the fund yielded a positive overall return, with a return on total assets of 10.05%.
- The decision to maintain a relatively high weighting in equities again proved a success as equities continued to outperform bonds during the year.
- Legal & General, the Scheme's passive manager, remain the market leader for UK unitised indexed investment.
- Following a disappointing first year's performance, the Scheme's specialist bond manager, Schroders, was replaced by Deutsche Asset Management in November 2004.



Chai

2004/05 was another year of positive returns with the fund earning 10.05% which is significantly ahead of inflation and National Average Earnings.

Chairman's Report



John Galbraith Chairman

I am pleased to present the Annual Report and Accounts of the Northern Ireland Government Officers' Superannuation Committee for 2004/05.

Review of the Year

NILGOSC faced many challenges in 2004/05 ranging from an examination of its role under the Review of Public Administration, a major review of the future of the Local Government Pension Scheme, the impact of the latest triennial actuarial valuation as well as a volatile and uncertain investment environment.

Constitution of NILGOSC

NILGOSC is a non-departmental public body controlled by a committee appointed by the Department of the Environment. It looks after the pensions arrangements for 211 employers.

In 2002 the Northern Ireland Executive commenced its Review of Public Administration with the view of ensuring that Northern Ireland has a modern, citizen-centred, high quality system of public administration. A further consultation document was published in March 2005 setting out 3 options for the handling of local government pension scheme arrangements. I believe, however, that the status quo, having one organisation handling the administration for over 200 employers, represents the most efficient and effective method of delivering the service. Indeed it is a model I would recommend should be emulated elsewhere in the United Kingdom.

The staff of NILGOSC are held in high regard for their pension expertise and if dissipated across a number of administering authorities would lead to a dilution and reduction in level of service to employers, members and pensioners. I am glad to report that, once again, this view is shared with the stakeholders who responded to our annual satisfaction survey. On average, 93% of stakeholders were either satisfied or very satisfied with the NILGOSC service.

Actuarial Valuation 2004

As I alluded to in last year's report the latest triennial valuation was undertaken as at 31 March 2004. We expected that the fund would move from a surplus to a deficit due to increased longevity and poor investment market returns over the period. As at 31 March 2004 the fund was in deficit by 15%. In order

to remedy the situation the employer contribution rates will increase over the next three years. These increases, though significant, come on the back of many years of surpluses with low contribution rates. It is interesting that, despite the increases, NILGOSC employer contribution rates are lower than most in the wider public sector and I hope all employers will take a longer term view of scheme funding and acknowledge that the scheme represents good value for money.

Investment Performance

My fellow Committee members and I are determined to maximise the investment returns of the NILGOSC fund and again have been pro-active in 2004/05.

I am happy to report that it was another year of positive returns with the fund earning 10.05% which was significantly ahead of inflation and National Average Earnings.

For the first time we held an Investment Strategy Meeting when we invited all of our fund managers and advisers to a round table discussion in which the Committee took soundings on which markets would be likely to produce better returns in the ensuing year. This assisted in the very difficult task of determining an Asset Allocation strategy.

As in the past each of NILGOSC's fund managers is required to work to a performance target. Schroders, our bond manager, did not produce the performance the Committee expected and was replaced by Deutsche Asset Management. We will continue to review the performance of our fund managers on a quarterly basis and take action accordingly if performance is not satisfactory.

Thanks

Finally I would like to express my gratitude to my fellow Committee members who, as a group, have devoted considerable time and effort to Committee business over the year. Thank you also to the Secretary and Staff of NILGOSC who supported the Committee during the year.

John Galbraith,
Chairman



Secretary's Report

It was good to see investment returns continue to improve for the second year in succession. The much improved returns saw the Fund increase by £198m over the year to £2.4 billion at 31 March 2005.

Strategic Investment Decisions in 2004

One of Myners key investment recommendations was that pension scheme trustees should evaluate their decisions on investment matters. The Committee therefore, in conjunction with its investment advisers, Hewitt, Bacon & Woodrow, reviewed the following asset allocation decisions taken at last year's annual strategy meeting.

- Maintain a relatively high weighting in equities (72% of the total fund).
- Maintain a positive stance towards property (up to 10% of the total Fund),
- Maintain a low weighting in bond investments (18% of the total fund), and
- Increase the index-linked element to 60% of the bond assets and decrease conventional gilts and corporate bonds to 20% of the bond assets.

Much of the strategy worked well. Equities outperformed Bonds with UK Equities outperforming Overseas Equities so justifying a high weighting to UK Equities.

US Equities underperformed most other overseas stock markets and the Fund therefore benefited from a low allocation to North America markets.

Property outperformed other asset categories and the Fund's 10% holding was therefore beneficial to total performance.

Overall the Committee was pleased with last year's asset allocation decisions but was disappointed with the performance of its three active equity managers whose performance since their appointment in June 03 has been less than would have been the case if the Fund had been fully indexed. However while the Committee continues to have concerns about performance, after reviewing the situation with its investment advisers, Hewitt, Bacon & Woodrow, it still remains confident in its managers' ability and that given time the situation will turn around.

The Future of the Local Government Pension Scheme

In June 2003¹, the Government proposed to set a standard retirement age of age 65 by 2013 and to increase the earliest retirement age from 50 to 55 by 2010. These changes would apply to all public sector pension schemes.

In 2004, the Office of the Deputy Prime Minister (ODPM) made amendments to the Local Government Pension Scheme in England & Wales, with effect from 1 April 2005, which introduced the retirement age of 65, with protection for those aged 60 by 1 April 2013, and increased the early retirement age to 55, again with protection for those aged 50 by 31 March 2005.

However, Local Government trade unions opposed the amending regulations and threatened strike action. To avert strike action, the Deputy Prime Minister announced on 18 March 2005 that he would revoke the amending regulations and make a fresh start on consultation. A new tripartite committee of Government, Local Government employers and trade unions was set up to consider the long term



Deane Morrice, Secretary

The much improved returns saw the Fund increase by £198m to £2.4 billion

future of the Local Government Pension Scheme. It is not possible, at this stage, to predict the outcome of the tripartite discussions but it is clear that the Government has not had a change of mind on the need for change and that changes to the Local Government Pension Scheme are inevitable.

The Position – Northern Ireland

In Northern Ireland, the Department of the Environment had indicated that it proposed to make the same changes to retirement ages from April 2006, a year later than in England & Wales. However it is unlikely that any formal consultation will take place in Northern Ireland until the present uncertainty in England & Wales is resolved.

Looking forward to 2008

In October 2004 the ODPM issued a consultation White Paper² on a proposed new framework for the Local Government Pension Scheme planned for introduction from 1 April 2008. The Committee circulated a copy of the consultation document to all employers for comment in November 2004 and, following receipt of 26 replies, replied to the consultation document. A copy of the reply was sent to all employers in March 2005. A further copy is available on request or can be downloaded from our website: www.nilgosc.org.uk/future.

In commenting on the proposals the Committee highlighted that the NILGOSC Scheme forms part of local government employees' overall remuneration package and requires to remain attractive to both existing and prospective members

to enable employers to attract and retain staff. The Scheme also requires to remain competitive and comparable with the other main Public Sector Schemes in Northern Ireland i.e. the Principal Civil Service Pension Scheme, the Teachers Scheme and the National Health Services Scheme.

While the cost of funding the local government scheme has risen due to poor investment returns and the fact that people are living longer, the NILGOSC Scheme is still in a healthy position with assets of £2.4 billion.

The Committee endorsed the view made by Adair Turner in his recently published Turner Commission report³ that Public Sector Schemes should not be compared with the benefit dilution taking place in Private Sector pension schemes as **“the key issue is that private sector retirement saving is becoming increasingly inadequate, not that the public sector is too generous.”**

And Finally

The staff have again worked hard to ensure that a high level of service is maintained and I am pleased to see continued improvement in our performance standards shown on page 16. A well-deserved thank you to all the staff is merited for their hard work and support during the year

Deane Morrice
Secretary

¹ Government White Paper (ref CM 5835) entitled: “Simplicity, security and choice: working and saving for retirement, action on occupational pensions”.

² “Facing the Future - Principles and Propositions for an Affordable and Sustainable Local Government Pension Scheme in England & Wales”.

³ “Pensions: Challenges and Choices - The first report of the Pensions Commission”

Our People

We are the Northern Ireland Local Government Officers' Superannuation Committee, a statutory body established to administer a pension scheme and maintain a fund providing retirement benefits for employees of local authorities and other admitted bodies.

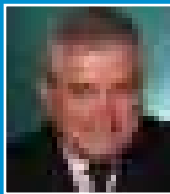
The Local Government Pension Scheme for Northern Ireland is normally open to public sector employers that are not eligible to join another public sector scheme. Current members of the scheme include the staff of the 26 local councils, non-teaching staff employed by the Education & Library Boards, the Voluntary Grammar Schools, the Housing Executive, Translink and a range of other associated employers.

Our objective is to administer and manage the NILGOSC Scheme efficiently and cost effectively, while continuously enhancing the quality of service provided to all stakeholders.

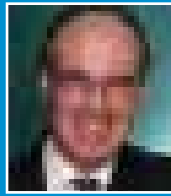
Our vision is to be recognised as an excellent Public Sector provider of pensions through service quality and investment

A man in a grey suit, white shirt, and blue tie is looking down at a large white sign he is holding. The sign contains text about the responsibility for NILGOSC.

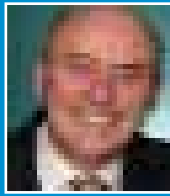
Responsibility for NILGOSC rests with a Committee of 11 non-executive members who oversee 40 experienced staff.



John Galbraith
Chairman



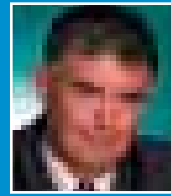
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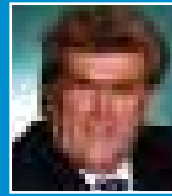
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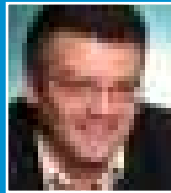
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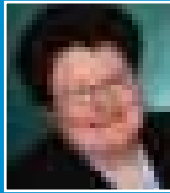
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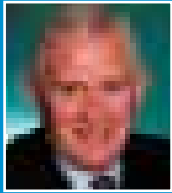
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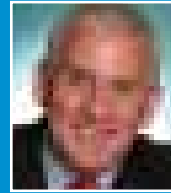
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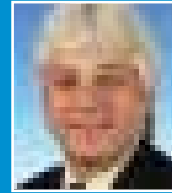
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The Committee

The Committee is the corporate body responsible for the administration of the Local Government Pension Scheme Regulations (Northern Ireland) 2002.

The Management Committee (which is similar to a board of directors or trustees) consists of a chairman, five members nominated by employers' organisations and five members nominated by employees' organisations. The biographies of the present Committee, who were appointed by the Department of the Environment for a four year term with effect from 1 October 2003, are as follows:

Chairman

Mr John Galbraith, the Committee's chairman, was appointed by the Department of the Environment. John was previously a member of the Committee (1983-1995) including a period as deputy chairman. He is currently a Non-Executive Director of the HELM Corporation Ltd, having previously been the Director of Finance at the University of Ulster. He brings wide experience of the public sector to NILGOSC.

Committee Members

Employer Organisation Nominees

1. Mr David Bell is Director of Corporate Services for Coleraine Borough Council
2. Mr Stewart Cuddy is the Deputy Chief Executive of the Northern Ireland Housing Executive.
3. Mr Pat Cumiskey is the Director of Corporate Services of Banbridge District Council.
4. Mr Frank Dunne is the Deputy Chair of Northside Village Trust, Treasurer of North & West Housing Association and a member of the NIFHA Council.
5. Mr Eamon Mullan is a member of the Local Government Staff Commission and is Head of Governance Services at the University of Ulster.

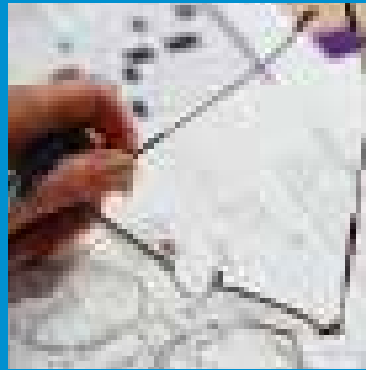
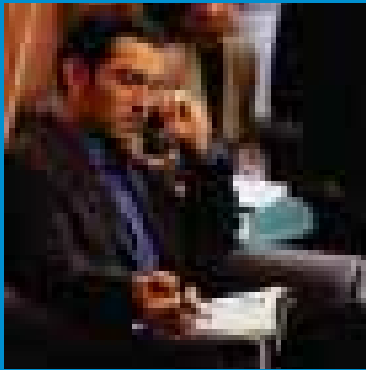
Employee Organisation Nominees

6. Mr Brian Campfield is the Deputy General Secretary of the Northern Ireland Public Service Alliance and is President of the Belfast Trades Union Council
7. Mrs V Joan Foster is an experienced Trade Union representative with the Northern Ireland Public Service Alliance. She is a Lay Member of the Fair Employment Tribunal. Joan is a Senior Officer in the Northern Ireland Housing Executive.
8. Mr Brendan Heaney is a longstanding member of the Amicus Trade Union and a Director of the Belfast Trust for Integrated Education.
9. Mr Lewis Love is the Vice Principal of Omagh High School.
10. Mr Albert Mills is the Regional Industrial Organiser for the Transport and General Workers Union.

The Committee 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 two weeks in advance of the next meeting.

There were twelve meetings of the Management Committee during the year 2004/05. This included an additional Committee meeting convened in March 2005 to discuss both the Corporate Plan, and a draft response to the Government's Green Paper on the Future of the Local Government Pension Scheme. In addition, six Audit Committee and two Staffing Committee meetings were held during 2004/05. The Audit and Staff Committees are sub-committees of the Management Committee.

Membership of each Committee can be seen from the table overleaf 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.



Details of the attendances are as set out below:

| | Management Committee | Audit Committee | Staff Committee |
|-----------------|----------------------|-----------------|-----------------|
| John Galbraith | 100% | | |
| David Bell | 92% | | |
| Brian Campfield | 83% | 100% | |
| Stewart Cuddy | 75% | 100% | |
| Pat Cumisky | 92% | 100% | |
| Frank Dunne | 100% | | 100% |
| Joan Foster | 75% | | 100% |
| Brendan Heaney | 92% | | 100% |
| Lewis Love | 50% | 17% | 50% |
| Albert Mills | 58% | | |
| Eamon Mullan | 58% | | |
| Average | 80% | 79% | 88% |

Minutes

Minutes of all Committee meetings are made 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 Hollywood 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

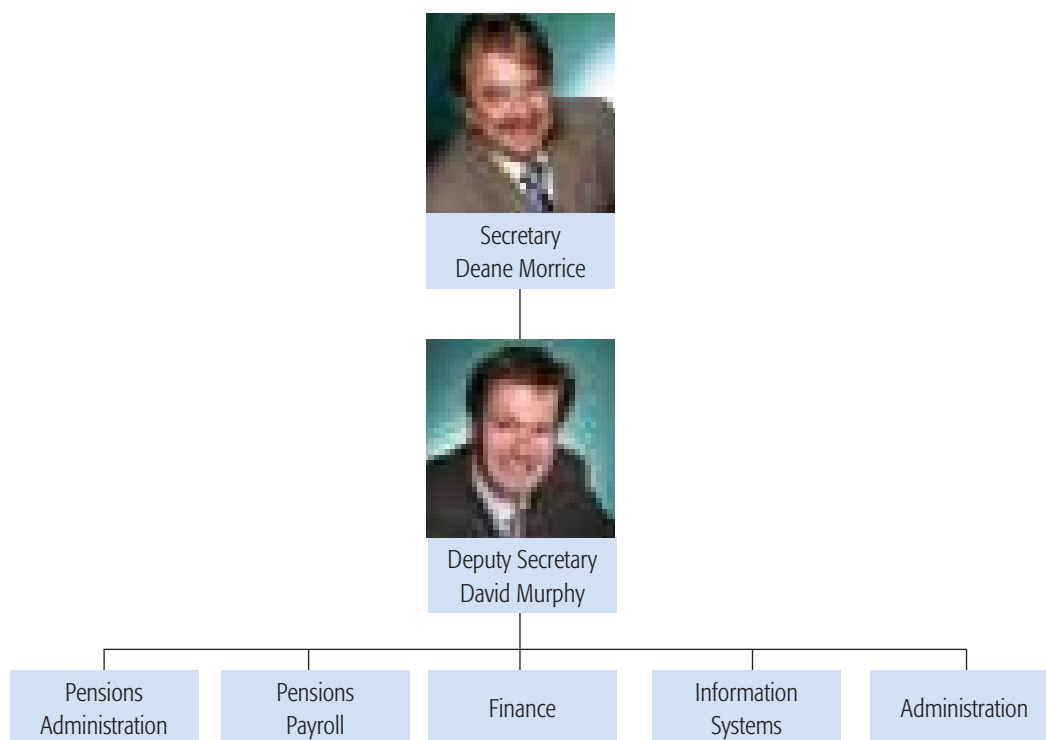
The Staff

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 40 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.

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.

Organisational Structure



Training and 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.

Competency Framework

The introduction of a Competency Framework during 2004/05 formed a key part of a career advancement

scheme for the employees of NILGOSC. The Scheme allows additional rewards for staff, facilitated by the movement between grades within pay bands, in return for the taking on of work at a higher level. This provides NILGOSC with a flexible work force and incentives to assist in the retention of staff.

It is anticipated that the first successful applicants under the competency scheme will be regraded in early 2005/06.

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 Scheme is a defined benefit scheme, which provides retirement benefits on a “final salary” basis. For each year of service, an individual in the NILGOSC Scheme will accrue retirement benefits at the rate of 1/80th (pension) and 3/80ths (tax free lump sum) of their pensionable salary.

The Scheme is funded by contributions made by both employees and employers who have been admitted to the Scheme. Employee contributions rates have been fixed at either 5% or 6% of their pensionable remuneration, while employer contribution rates are determined by the Scheme’s actuary every three years. A prior surplus position allowed 2004/05 employer contribution rates to remain at 4.6% for those employing authorities who

contributed to the Scheme during the period in which the surplus arose. Employers admitted to the Scheme after this date pay a higher rate dependant on the prevailing employer contribution rate at the time of admission. Following the results of the latest actuarial valuation as at 31 March 2004, the Committee has approved a series of stepped employer contribution increases with effect from 1 April 2005.

The Pension Sche

Status

The Scheme is a statutory public service pension scheme as defined by the Pensions Schemes Act 1993 and is regulated by the Local Government Pension Scheme (Northern Ireland) Regulations 2002.

As a public service pension scheme, the Scheme is contracted out of the State Second Pension (S2P) and is exempt approved for the purpose of Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988. 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

Membership of the Scheme continues to grow both in terms of admitted bodies and individual employees.

At 31 March 2005, there were 211 employing authorities contributing to the NILGOSC Scheme. A full list of these

organisations can be found on pages 49 to 51.

Of the 211 employing authorities, employees of Fold Housing Trust were transferred to Fold Housing Association, and the following 3 bodies were approved for admission to the Scheme during the year ended 31 March 2005:

| Employing Authority | Effective Date |
|---------------------------------|----------------|
| Omagh Integrated Primary School | 01/04/04 |
| Arc21 Joint Committee | 01/04/04 |
| Maine Integrated Primary School | 01/09/04 |

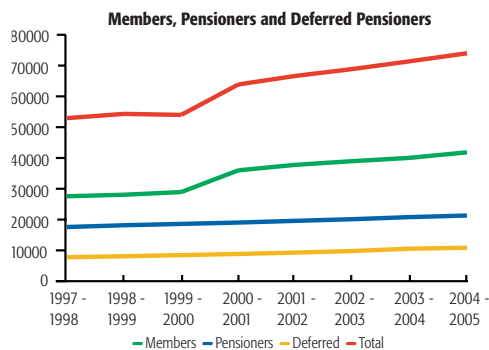
The number of new joiners continued to grow during the year and at 31 March 2005 the Scheme consisted of 41,837 contributing members, 21,315 pensioners and 10,843 deferred pensioners.

The chart opposite shows the movement in each category of member over the past 8 years:



me

93% of stakeholders were satisfied or very satisfied with the service received. The Scheme has 73,995 members across over 211 public sector bodies.



Pensions Increases

During the year, NILGOSC pensions were increased by 2.8%, with effect from 12 April 2004. All pensions (including spouses’ pensions, childrens’ pensions, age pensions, ill-health pensions, redundancy pensions provided the pensioner is aged 55 or over and preserved benefits) are index-linked and increased each year in line with inflation, as measured by the Retail Price Index.

The Government determines this increase each year by way of the Local Government Superannuation – Pensions Increase (Review) Order (Northern Ireland) 2002 and this year’s figure reflected the annual increase in the Retail Prices Index for the year ending 30 September 2003. NILGOSC itself does not have the power to amend any stipulated increase and it must comply with the provisions of the Pensions Increase (Review) Order (Northern Ireland), which is passed into law each year.

Regulations

New regulations came into effect during 2004/05.

The Local Government Pension Scheme (Amendment) Regulations (Northern Ireland) 2004

The above regulations came into effect on 31 May 2004, amending the Local Government Pension Scheme (Northern Ireland) Regulations 2002 to take into account new entitlements to paternity and adoption leave as provided for by the Employment (Northern Ireland) Order 2002.



The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations (Northern Ireland) 2004

Coming into operation on 2 August 2004, the regulations were amended to allow the Committee to increase the existing limits on certain investment assets and bring Northern Ireland in line with English legislation. The main effect of the new regulations was to increase from 25% to 35% the proportion of the fund which can be invested in Unit Trust Schemes. The regulations also increased the limits which can be invested in sub-underwriting contracts, partnerships, unlisted securities and single insurance contracts.

The Local Government (Early Termination of Employment) (Discretionary Compensation) (Amendment) Regulations (Northern Ireland) 2004

These regulations added the newly admitted body Arc21 Joint Committee to the existing list of employers to which the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations (Northern Ireland) 2003 apply. The regulations are effective from 1 December 2004.

Satisfaction Survey

A satisfaction survey was carried out in February with a random sample of key stakeholders. In total, 1785 questionnaires were issued to employers, pensioners, deferred pensioners, members and regular suppliers. In order to make this year's results more meaningful, an additional response of neutral/no opinion was made available for stakeholders who did not use a particular NILGOSC service. The findings showed 93% of each of the five stakeholder categories were satisfied or very satisfied with the service they had received. The Committee was pleased with the results of the survey, which demonstrated that the high level of service continued to be maintained throughout 2004/05.

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.

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, Belfast BT1 6BR Tel: 0800 343424.

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 in some cases may be downloaded from our website www.nilgosc.org.uk

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

- Annual Report and Financial Accounts
- Statement of Investment Principles
- Management Committee
- Equality Scheme
- Freedom of Information
- Corporate Plan
- Our Complaints Procedure

| Title | Content | Format/Availability |
|---|--|---|
| An Introduction to the Local Government Pension Scheme (NI) | Briefly explains the main features and benefits of the Scheme for prospective members. | Hardcopy on request |
| Members Guide | Explains in detail the benefits available to members on joining the Scheme, including <ul style="list-style-type: none"> · information on how the Scheme operates, · what it costs to join, · the financial protection offered to members and their families. | Hardcopy on request Electronic version from www.nilgosc.org.uk |
| Retirement Guide | Explains in detail what retirement benefits are available together with how they will be paid. | Hardcopy on request |
| Purchase of Additional Membership | Explains the facility available to members to buy additional years and increase Scheme membership and benefits. | Hardcopy on request |
| AVC Guide | Produced by the Scheme AVC provider, the Prudential, to explain how additional voluntary contributions can be used to top up pension benefits. | Hardcopy on request |
| Employers Guide | Designed to assist employing authorities in carrying out their responsibilities in administering the Local Government Pension Scheme Regulations (Northern Ireland) 2002. It deals with the common questions which arise in the day to day administration of the Scheme | Hardcopy on request Electronic version from www.nilgosc.org.uk |
| Annual Report | Annual Report and Financial Statements | Hardcopy on request Electronic version from www.nilgosc.org.uk |
| Members Report | Summary of the main items of interest from the Annual Report and Accounts. | Distributed annually to members. Electronic version from www.nilgosc.org.uk |
| Pensioners News | Newssheet designed to notify pensioners of any matters or changes, which may affect their pension. | Distributed annually to pensioners. |
| The Local Government Pension Scheme Regulations (Northern Ireland) 2002 (SRNI 2002 No. 352), the Local Government Pension Scheme (Amendment No.2 and Transitional Provisions) Regulations (Northern Ireland) 2002 (SRNI 2002 No. 353) and the Local Government (Early Termination of Employment) (Discretionary Compensation Regulations (Northern Ireland) 2003 (SRNI 2003 No. 61) | Scheme rules. | Available from The Stationery Office 16 Arthur Street Belfast BT1 4GD (Statutory Rules of Northern Ireland 2002 Nos. 352 and 353). The Regulations are also available online at www.opsi.gov.uk |



Performance Standards

In May 1997 the Management Committee approved a set of service standards for the activities carried out by the Committee. These standards are reviewed annually and monitored by the Committee. Compliance with the performance standards for 2004/05 was tested by the internal auditor, McClure Watters, on a random sample basis.

Below is a summary of the standards achieved during 2004/05.

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 opposite shows administration expenses per scheme member, together with the ratio of members to staff.

Corporate Plan

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,

Performance Standards

| Task | Standard | Within Standard % |
|---|---------------------------|-------------------|
| Lump sum retirement payments | 5 days | 100 |
| Death grant payments | 5 days | 83 |
| Leaver options notifications | 20 days | 60 |
| Refund payments | 5 days | 100 |
| Provisional transfer out quotations | 20 days | 80 |
| Transfer out payments | 5 days | 80 |
| Inward transfer quotation requests | 10 days | 65 |
| Inward transfer credit notifications | 10 days | 90 |
| New entrants certificates | 20 days | 100 |
| Letters answered or acknowledged | 10 days | 100 |
| Issue members' annual report | by 31 October | 32* |
| Issue members' annual benefit statement | by 31 October | 92 |
| Benefit quotation requests | 10 days | 85 |
| Pensions paid each month | Last banking day of month | 100 |
| P60s issued to all pensioners | By 31 May | 100 |

* NILGOSC uses a mailing house for distribution of its annual members reports. NILGOSC management can confirm that delay in issuing the 2003/04 Members Report was due to the mailing house, who were provided with the necessary information in advance of the target date.

Cost per Member

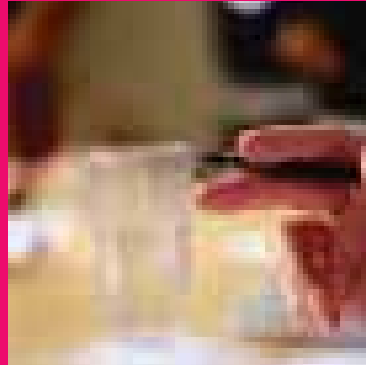
| Year ended 31 March | Total Members | Number Of Staff | Members/ Staff | Admin Expenses £'000 | Cost/ Member £ | Cost adjusted for Inflation £ |
|---------------------|---------------|-----------------|----------------|----------------------|----------------|-------------------------------|
| 1996 | 50680 | 25 | 2027 | 927 | 18.29 | 22.84 |
| 1997 | 51860 | 26 | 1994 | 933 | 18.00 | 21.94 |
| 1998 | 52934 | 26 | 2036 | 993 | 18.75 | 22.09 |
| 1999 | 54315 | 28 | 1940 | 977 | 17.98 | 20.75 |
| 2000 | 55983 | 28 | 2000 | 993 | 17.74 | 19.95 |
| 2001 | 63872 | 30 | 2129 | 1,227 | 19.21 | 21.13 |
| 2002 | 66643 | 33 | 2019 | 1,288 | 19.32 | 20.97 |
| 2003 | 68936 | 36 | 1915 | 1,495 | 21.69 | 22.84 |
| 2004 | 71399 | 40.5 | 1763 | 1,685 | 23.60 | 24.21 |
| 2005 | 73995 | 41 | 1805 | 1,835 | 24.80 | 24.80 |

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 2005/06 – 2007/08 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 2004/05 Corporate Plan was completed during the year ended 31 March 2005. Some project completion deadlines were extended following the outcome of feasibility studies undertaken. Those objectives not achieved have been carried forward into the 2005/06 Corporate Plan.

Review of Corporate Plan 2004/05

| Aims & Objectives | Comment |
|--|--|
| <p>To maintain an effective investment strategy in line with the actuarial profile of the fund.</p> <ul style="list-style-type: none"> · Carry out triennial valuation as at 31 March 2004. · To maximise investment returns at an appropriate risk for the fund including an annual asset allocation and performance review. · To set a Corporate Governance/Voting Policy for the Fund. | <p>Objectives Met</p> <p>Valuation completed and employers informed of new contribution rates. Actuarial certificate issued by 31 March 05.</p> <p>Committee held its Asset Allocation meeting in May 04. Committee reviewed its previous decisions.</p> <p>Committee approved Socially Responsible Investment and Voting action plan in February 05.</p> |



| Aims & Objectives | Comment |
|--|---|
| <p>To provide a level of service needed to comply with the pension scheme regulations, good practice and other legislation.</p> <ul style="list-style-type: none"> · To communicate regulation changes to the key stakeholders arising from planned amendments to the Local Government Pension Scheme Regulations (Northern Ireland) 2002. · To finalise adoption of a service level agreement with each Employing Authority, to develop contacts with employers by way of an outreach programme and to provide formal Employing Authority staff training in order to provide a service to members compliant with the Pensions Act 1995 and the Cabinet Office's Modernising Government initiative. · To provide annual benefit statements for preserved pensioners and combined benefit statements for all participants in the pilot scheme compliant with the Occupational and Personal Pension Schemes (Disclosure of Information) Amendment Regulations 2002. · To communicate changes to the scheme arising from the Government's White Paper - <i>Simplicity, security and choice: Working and saving for retirement - Action on occupational pensions.</i> | <p>Objectives Met</p> <p>No major regulation changes issued as yet. Employers consulted on the Green Paper on a proposed new LGPS.</p> <p>Service level agreements issued to all employers. Training has been provided to new employers to scheme. Formal certificated training has not been developed further.</p> <p>Benefit statements issued to Preserved Pensioners. Combined statements issued to over 8000 members in pilot scheme.</p> <p>Publicised in Annual Report. Finer detail of implementation still to be incorporated into Regulations.</p> |
| <p>To maximise information technology to improve service delivery, increase cost effectiveness or maintain business continuity.</p> <ul style="list-style-type: none"> · To implement action arising from the feasibility study of the action necessary to meet the NI Assembly's and Cabinet Office's e-government targets for 2005. · To develop the key pensions administration system so as to reduce the need for other databases, to expand the range of reporting available and to maximize functionality of the software. | <p>Objectives Met</p> <p>Feasibility study complete. Further action required in 2005/06.</p> <p>A number of manual procedures were automated in 2004/05. Performance management system being developed.</p> |

| Aims & Objectives | Comment |
|--|---|
| <ul style="list-style-type: none"> · To liaise with other government departments as regards the electronic exchange of information in line with the Modernising Government agenda. · To carry out a feasibility study as regards action needs to satisfy the Information Management requirements of the Modernising Government agenda including the storage of members' files in an alternative format and implement the findings. | <p>Liaised with Inland Revenue regarding electronic exchange of information</p> <p>Feasibility study complete. Further action required in 2005/06</p> |
| <p>To be committed to the need to promote equality of opportunity, the desirability of promoting good relations and the fulfilment of its Section 75 obligations.</p> <ul style="list-style-type: none"> · Impact Assessment of employee policies · Review of action taken during the year to promote equality and production of annual statement on progress of implementation of the Scheme. | <p>Objective carried forward to 2005/06</p> <p>This EQIA has been delayed due to follow up action required on last year's EQIAs</p> <p>Report issued at 31 March each year</p> |



ANNUAL EQUALITY STATEMENT Year end 31 March 2005

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 2004/05 by its support from the most senior levels of the organisation.

The NILGOSC Corporate Plan for 2004/05 included objectives relating to Equality and Community Relations. The Committee approved the Plan in March 2004 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 published its annual statements for the years 2001/02, 2002/03 and 2003/04 in the Annual Reports and Financial Statements in October 2002, 2003 and 2004. The statements were also reproduced in the Members' Report, summaries of the Annual Report, and have been distributed to all members and pensioners (over 70,000 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 at a staff conference in April 2002. The policy was screened for impact assessment in June 2002 and approved by the Committee in October 2002.
3. The impact assessment 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:
 - NILGOSC will undertake a feasibility study on the use of a lo-call telephone charging system. Such a system would ensure that there would not be any adverse monetary impact on callers from outside the Belfast area.
 - A communication leaflet was sent to all Scheme members and pensioners. This leaflet outlined the various means of communication in use and highlighted alternative formats available. It invited those preferring an alternative means of communication to advise accordingly in order that future communications could be tailored to meet those needs.
 - In September 2004 NILGOSC carried out a survey among a sample of 1000 scheme members to determine if any category of person might be

underrepresented. Almost 36% of questionnaires were returned. The results of the survey have been analysed and with the exception of 'age' the survey results were found to be broadly in proportion with the comparator groups and therefore it was concluded that employers have made Scheme membership widely available to all staff.

Although differences in the statistics were identified in relation to age it was felt that no adverse impact existed in this grouping in relation to the administration of the Scheme. However, the survey findings will contribute to the marketing strategy in order that the reasons for lower membership numbers in the grouping can be examined further and any appropriate follow up action taken.

Survey results are available on request by contacting the Equality Officer.

4. The impact assessments on the Investment of Contributions and Procurement of Goods and Services were issued for consultation in March 2004. A number of responses were received and the points raised are currently under consideration and further consultation. Where considered appropriate the impact assessments will be amended in light of these comments prior to the publication of the final versions.
5. Specific training for those managers responsible for the implementation of Equality Scheme has been undertaken as well as those staff who are members of the Customer Care Group. The remaining staff have attended a major conference on Equality and continue to receive training and updates on equality issues through the annual staff conference. Awareness training is provided for new members through the induction procedure.
6. NILGOSC have not received any complaints regarding equality issues in the 2004/05 period.

7. NILGOSC received two requests for information in alternative formats (Thai and Braille) in the 2004/05 period.

Those who require further information about the NILGOSC Equality Scheme or would prefer to receive this document in an alternative format should contact the Equality Officer at:

Address:
NILGOSC,
Templeton House,
411 Hollywood Road,
Belfast, BT4 2LP
Telephone: (028) 9076 8025
Typetalk: 18001 028 9076 8025
(for people using a textphone)
Fax: (028) 9076 8790
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

A man with dark hair, wearing a black turtleneck sweater, is holding a white rectangular sign in front of his chest. He is looking directly at the camera with a neutral expression. The background is a solid orange color. The sign contains text about fund investment and performance.

The Fund is invested by 5 fund managers and a property manager in different assets across the world. Targets set by the Committee were not met but the fund value increase was ahead of inflation and earnings.

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 2005 is included on pages 45 & 46.

Fund Management

The Committee retains overall responsibility for the Fund, with the power to appoint one or more fund managers to manage and invest fund monies on its behalf. In appointing fund managers, 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
- to take proper advice, obtained at regular intervals.

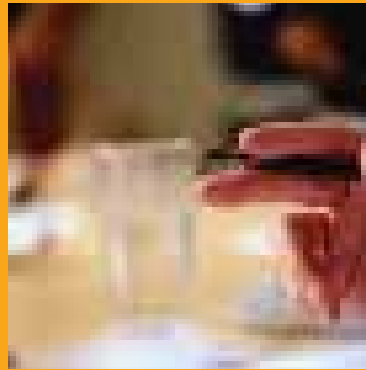
The Committee maintains overall control of the Fund by:

- 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
- 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.

In 2003/04, NILGOSC made the move from the traditional balanced manager approach, where managers were responsible for asset allocation as well as individual stock selection, to the appointment of specialist fund managers for UK Equities, Global Equities and Bonds. The balance of the fund not placed with specialist managers is invested in a passive indexed fund.

Following a disappointing first year, the Committee replaced its existing specialist bond manager Schroder Investment



Management with Deutsche Asset Management in November 2004. At 31 March 2005, the Committee had the following five fund managers in place to manage its equity and fixed interest portfolio:

| | |
|-----------------|---|
| UK Equities | Baillie Gifford |
| Global Equities | Bank of Ireland Asset Management Wellington Management |
| Bonds | Deutsche Asset Management |
| Indexed Fund | Legal & General |

The Committee makes investment decisions regarding direct property; and held a portfolio of 21 properties and 3 forests throughout Northern Ireland and Great Britain at 31 March 2005.

In managing the property portfolio in-house, the Committee is advised on property decisions by its Property Advisors, Jim Burgess, FRICS, ACI Arb and Colliers CRE. Property advisors are responsible for:

- Advice on the strategic management of the portfolio

- including the purchase and sale of properties
- The active management of properties to add value
- The supervision of the day-to-day management of properties.

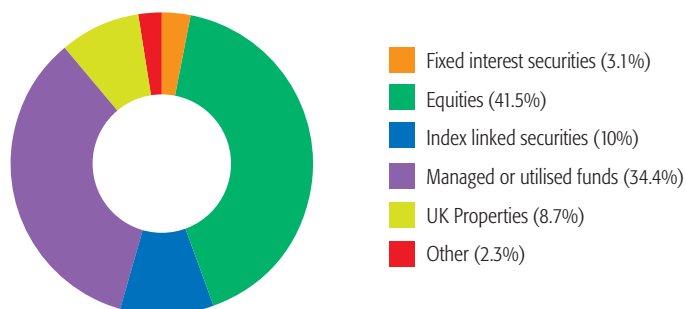
Investment Objectives

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.

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 all its investment managers by availing of J P Morgan'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.

Fund Asset Allocation at 31 March 2005



The Committee expects the fund return over a 5 year rolling period to outperform RPI by 5%.

| Asset Class | Weight % | Target /Benchmark Indices |
|-----------------------------|----------|--|
| UK Equities Specialist | 20.0 | FTSE All Share Index + 2% |
| Global Equities Specialists | 23.0 | FTSE All World Developed Index + 2% |
| Bond Specialist | 10.0 | |
| | 2.0 | FTSE All Stocks Gilts + 0.75% |
| | 6.0 | FTSE Over 5 Year Index Linked Gilts + 0.75% |
| | 2.0 | IBoxx Sterling Non-Gilts + 0.75% |
| Global Passive Manager | 37.0 | |
| | 13.1 | FTSE All Share Index |
| | 7.2 | FTSE All World Developed Europe ex UK |
| | 5.4 | FTSE All World Japan |
| | 2.7 | FTSE All World Developed Asia Pacific ex Japan |
| | 1.7 | FTSE All Stocks Gilts |
| | 5.2 | FTSE Over 5 Year Index Linked Gilts |
| | 1.7 | IBoxx Sterling Non-Gilts |
| Property | 10.0 | IPD Long Term Funds £50-£250m Index + 1% |

The standard target and benchmark for each asset class of the fund as at 31 March 2005 is as above:

Property investment includes direct property, forestry and property unit trusts. The Property Advisers are remunerated on a fee basis with an annual retainer.

Asset allocation continues to be one of the key determinants in investment decision making success. The Committee is particularly pleased with a number of investment decisions made during the year ended 31 March 2005:

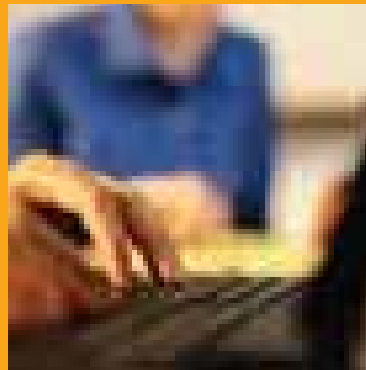
- The decision to maintain a relatively high weighting in equities proved to be an excellent strategy as equities continued to outperform bonds during the year.
- UK equities outperformed overseas equities, thereby justifying the Committee's decision to maintain a higher weighting to UK equities than that given in the world stock markets.
- The decision to appoint and retain Legal & General as the Scheme's passive manager as Legal & General

remain the market leader for UK unitised indexed investment.

Market Report

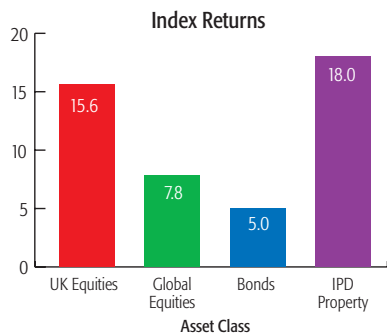
UK equities continued their run since the low point of March 2003, producing a positive return in each quarter and 15.6% over the year as a whole. Overseas equity markets had a mixed year, with strong returns in Europe and Pacific ex Japan while Japan continued to disappoint and North American equities (in sterling terms) suffered from the weak dollar. Economic growth, particularly from China, drove up commodity prices with the oil price hitting all time highs in the first quarter of 2005. This delivered good returns to the Oil & Gas and Mining sectors, while seemingly leaving other sectors unaffected by increased input costs.

Despite interest rate rises at the start of the period and considerable gilt issuance, government bond markets had a good year, with gilts returning 5.0% and index-linked returned 5.4%. Corporate bond spreads tightened further through the year and this asset class returned 6.4%.



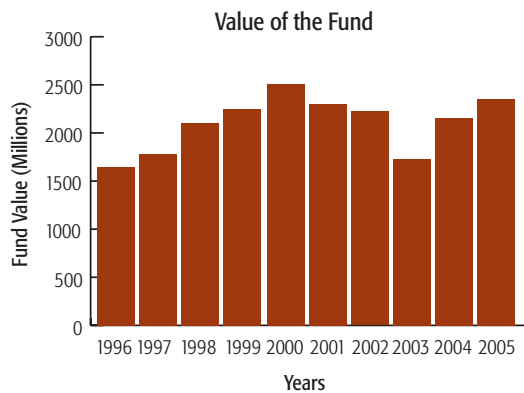
Property had yet another year of strong returns, with the IPD index returning 18.0%.

The graph below shows the investment return in each asset category for the twelve months to 31 March 2005.



Fund Value

The value of the Fund at the 31 March 2005 was £2,354m (2003/04 £2,156m), an increase of £198m (9.2%) 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 page 45 and 46.

Investment Performance

Over the year to 31 March 2005, the fund achieved an overall return on the total assets of 10.05%. In comparison, the fund benchmark including property, as set by the Committee, was 12.58%. This resulted in a net underperformance of 2.53%.

The Retail Price Index and National Average Earnings increased by 3.2% and 4.7% respectively during 2004/05.

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 2005 are as follows:-

| | Benchmark Return % | Fund Return % | Relative Return % |
|-----------------|--------------------|---------------|-------------------|
| Baillie Gifford | 17.56 | 4.68 | -2.88 |
| Wellington | 10.03 | 5.35 | -4.68 |
| Bank of Ireland | 10.03 | 4.73 | -5.29 |
| Deutsche * | 0.94 | 1.35 | 0.41 |
| Legal & General | 10.84 | 10.86 | 0.02 |

* The figures for Deutsche Asset Management are for the period from inception to 31 March 2005.

Although performance of the active equity managers has fallen short of their benchmark at 31 March 2005, the Committee has set these targets over a three year period and remains confident that a turnaround can be achieved within the next 12 months. The Committee regularly reviews performance and remains satisfied that the existing managers continue to be an appropriate choice for the NILGOSC fund.

Following a change in bond management in late 2004, early performance figures show a positive return of 0.41% for the year ended 31 March 2005.

For the second year running, Legal and General are the Fund's best performing manager with outperformance of 0.02%.

Top 10 Equity Holdings at 31 March 2005

| Company | Total Investment £'000's | % of Total Portfolio |
|------------------------|--------------------------|----------------------|
| Vodafone Group plc | 49,055 | 5.02 |
| Royal Bank of Scotland | 43,796 | 4.48 |
| GlaxoSmithkline | 34,963 | 3.58 |
| Barclays plc | 28,832 | 2.95 |
| Wolseley | 26,636 | 2.72 |
| BG Group | 22,102 | 2.26 |
| BP plc | 20,830 | 2.13 |
| Northern Rock | 20,019 | 2.05 |
| Imperial Tobacco | 19,457 | 1.99 |
| Altria Group Inc | 15,122 | 1.55 |

For the second year running, Legal and General are the Fund's best performing manager with outperformance against the benchmark of 0.02%.

The return on property is measured by the Investment Property Databank (IPD) and for the year to 31 March 2005 NILGOSC underperformed its target by 6.6%

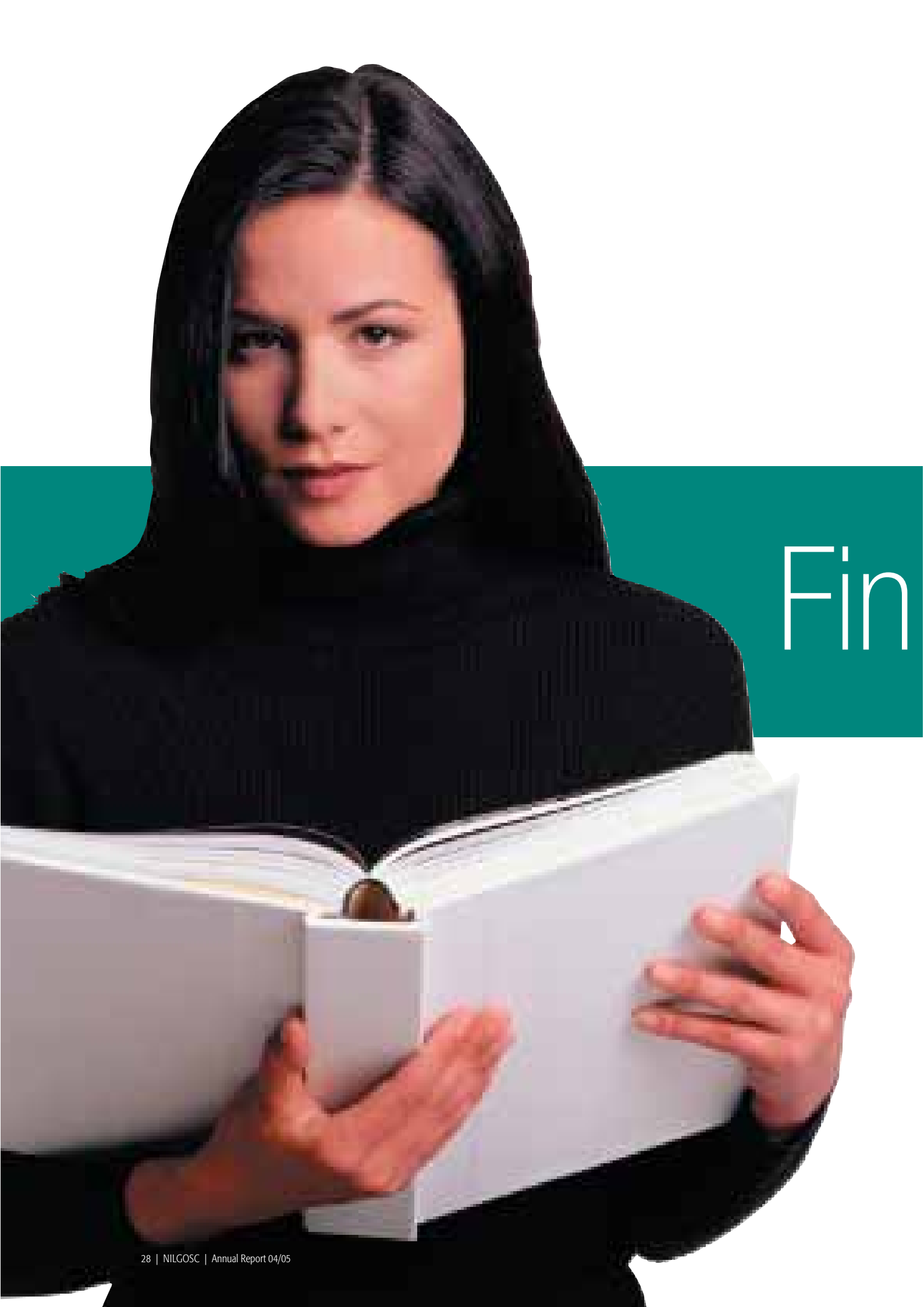
Property performance for the year ended 31 March 2005 was heavily distorted by new property additions totalling £45m. When viewed in conjunction with the considerable outperformance in 2003/04, the average performance of property as an asset class remains in line with its target over a rolling 3 year period.

| | Year Ended 31 March 2005 | Annualised over 3 Year Period |
|--------------------|--------------------------|-------------------------------|
| Property Portfolio | 12.2% | 13.6% |
| IPD +1% | 18.8% | 13.5% |
| Relative Return | -6.6% | 0.1% |

The Committee's objective remains to achieve the maximum return on fund investments in the long term, having due regard to the liabilities of the fund and an acceptable level of investment risk. Accordingly, undue attention should not be given to the results for a single year in isolation.

The comparable statistics for the three and five year periods to 31 March 2005 on an annualised basis are:

| | Three Years % p.a. | Five Years % p.a. |
|---------------------------------------|--------------------|-------------------|
| Return of Fund | 2.40 | -0.78 |
| Benchmark | 3.53 | 0.11 |
| Increase in RPI | 2.97 | 2.50 |
| Increase in National Average Earnings | 4.10 | 4.11 |



Fin

Financial Statements

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 76(2) of the Local Government Pension Scheme Regulations (Northern Ireland) 2002 the Committee submits its annual report for the year ended 31 March 2005 to the Department of the Environment.

Business Review and Results for the Year

A full review of NILGOSC activities is given in the Annual Report. However, the highlights of the year are as follows:-

- The value of the fund increased to £2.354bn as a result of improved returns and a change of asset allocation during 2004/05 (£2.156bn 2003/04).
- The triennial valuation of the Fund by the scheme actuary Hymans Robertson determined a funding level of 85% as at 31 March 2004, compared to 121% as at 31 March 2001. This corresponds to a past service deficit of £392m.
- Following the results of the valuation, the Committee has introduced a series of stepped employer contribution rises over the next three years in order to reduce the deficit.

Fixed Assets

The value of the fixed assets is set out in note 10 to the Financial Statements.

Important Events Occurring After the Year End

There have been no significant events since the year end which would affect these accounts.

Charitable Donations

The Committee made no charitable donations during the year.

Committee Members

The following served as Committee members during the year:

| | |
|------------------------------|-------------------|
| Mr John Galbraith (Chairman) | Mrs V Joan Foster |
| Mr Brian Campfield | Mr Brendan Heaney |
| Mr David Bell | Mr Lewis Love |
| Mr Stewart Cuddy | Mr Albert Mills |
| Mr Pat Cumiskey | Mr Eamon Mullan |
| Mr Frank Dunne | |

Declaration of Interests

For details, please see page 10.

Employees with a Disability

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.

Employee 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 and a staff suggestion scheme was introduced on 1 April 1999 to provide an opportunity for staff to come forward with new ideas and working practices. A number of valuable suggestions have been made and introduced.

Significant emphasis is placed on training and developing staff through a structured training programme. A needs analysis was carried out during the year from which a three-year training programme was prepared. Staff are involved in the preparation of the annual corporate plan. Corporate objectives are devolved to individual members of staff through the Developmental Staff Appraisal Scheme.

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 is committed to prompt payment of bills for goods and services in accordance with the Confederation of British Industry's Prompt Payers Code. Unless otherwise stated or agreed in advance, payment is normally due within 30 days of the receipt of a valid invoice. No interest has been paid under the Late Payment of Commercial Debts (Interest) Act 1998. The average time taken to pay invoices in 2004/05 was 9 days.

Committee's Responsibilities

The Committee is required under the Local Government Pension Scheme Regulations (Northern Ireland) 2002 to:-

- keep accounts of all financial transactions of the Fund;
- 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;
- (d) a Fund Account;
- (e) a Net Assets Statement;

and shall contain the information specified in Part IV of Schedule 6 of the regulations.

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

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 Regulations (Northern Ireland) 2002 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 6.

Accounting Officer's Statement

Statement on Internal Control for the Financial Year Ended 31 March 2005

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 Government Accounting 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.

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 departmental 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 2005 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

3. Capacity to handle risk

The Northern Ireland Local Government Officers' Superannuation Committee held a risk management workshop in 2002 in order to identify the risks it faces. All staff at management level took part and the workshop was facilitated by its then internal auditors, Deloitte & Touché.

As a result of the workshop, ten risks were identified and recorded on a Risk Register. This register records the nature of the risk, the likelihood of the risk arising, the potential impact of the risk, why the risk might arise, how the risk is controlled at present and what action needs to be taken in future.

All staff at management level also attended a meeting in May 2004 to review the ten risks identified in 2002. No additional risks were identified during the year.

4. The risk and control framework

In order to ensure achievement of the strategic objective, The Northern Ireland Local Government Officers' Superannuation 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 that could arise and a measure of their importance.
- Identification of how the risks can be controlled.
- Inclusion of risk control in the Corporate Planning process.

- Annual reporting by The Northern Ireland Local Government Officers' Superannuation Committee's managers on risk issues.
- Publication of an Annual Statement by the Accounting Officer.

The risk priorities during 2004/05 included:

- The appointment of an Actuary to carry out the triennial valuation of the Fund;
- Making ready an off site facility in conjunction with the disaster recovery programme;
- Continuing the development of a career advancement programme to encourage staff to stay at NILGOSC.

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 executive managers within the department 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 is in place.

The review included the following:

- a final 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.
- an annual risk report from the managers responsible for NILGOSC's internal controls.
- FRAG 21 reports from the Fund Managers.

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.

Internal Audit provides an independent and objective opinion on risk management, control and governance through reporting on risk based plans agreed annually by the Audit Committee and by providing independent and objective advice.

D W Morrice
Secretary

31 March 2005

Fund Account

For The Year ended 31 March 2005

| | Note | 2004/2005 £ '000 | 2003/2004 £ '000 |
|---|------|---------------------|---------------------|
| Contributions and Benefits | | | |
| Contributions received | 3 | 68,235 | 64,190 |
| Transfers from other Schemes | | <u>10,323</u> | <u>9,542</u> |
| | | <u>78,558</u> | <u>73,732</u> |
| Benefits payable | 4 | 82,851 | 79,534 |
| Leavers | 5 | 7,068 | 5,303 |
| Administration expenses | 6 | <u>1,835</u> | <u>1,685</u> |
| | | <u>91,754</u> | <u>86,522</u> |
| Net withdrawals from dealings with members | | <u>(13,196)</u> | <u>(12,790)</u> |
| Return on investments | | | |
| Investment Income | 7 | 47,208 | 79,077 |
| Change in market value of investments | 8 | 167,880 | 365,982 |
| Investment management expenses | | <u>(4,017)</u> | <u>(3,482)</u> |
| Net return on investments | | <u>211,071</u> | <u>441,577</u> |
| Net increase in the fund during the year | | 197,875 | 428,787 |
| Opening net assets of the scheme | | 2,156,456 | 1,727,669 |
| Closing net assets of the scheme | | 2,354,331 | 2,156,456 |

Net Assets Statement

For The Year ended 31 March 2005

| | Note | 2004/2005 £ '000 | 2003/2004 £ '000 |
|---|------|---------------------|---------------------|
| Investments | | | |
| Fixed interest securities | | 72,246 | 112,694 |
| Equities | | 977,725 | 1,145,301 |
| Index-linked securities | | 235,088 | 228,521 |
| Managed or unitised funds | | 810,027 | 472,756 |
| UK properties | | 206,334 | 154,995 |
| Short term deposits | | 37,824 | 23,448 |
| AVC investment | | 4,840 | 4,166 |
| | 8 | <u>2,344,084</u> | <u>2,141,881</u> |
| Other investment assets | 9 | <u>2,006</u> | <u>8,604</u> |
| | | 2,346,090 | 2,150,485 |
| Other assets and liabilities | 10 | <u>8,241</u> | <u>5,971</u> |
| Net assets of the scheme at 31 March | | <u>2,354,331</u> | <u>2,156,456</u> |

The notes on pages 36 to 44 form part of these Financial Statements.

The financial statements on pages 34 to 44 were approved and signed by the Secretary on 29 June 2005:



Deane Morrice,
Secretary

Notes for the year ended 31 March 2005

1. Basis of Preparation

Although the scheme is exempt from the requirements of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997 the financial statements have been prepared in accordance with these regulations, the guidelines set out in the Statement of Recommended Practice (where applicable), Financial Reports of Pension Schemes and the Accounts Direction as described in the Local Government Pension Scheme Regulations (Northern Ireland) 2002.

The financial statements record the transactions of the Scheme during the year and summarise the assets held by the Committee at the end of the financial year. They do not take account of obligations to pay pensions and other benefits in the future. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the statement by the Actuary and these financial statements should be read in conjunction with it.

These financial statements have been prepared on an historical cost basis, adjusted for the revaluation of investments at the year end.

The main departures from the Statement of Recommended Practice are:

(a) **Accounting Policy - Unit Trusts**

Pooled Investment Vehicles are priced at mid-market value and not at the average of the closing bid and offer prices.

(b) **Quoted Securities - Fixed Interest**

Fixed interest securities, including purchases and sales activity, are valued at closing mid-price plus accrued interest, rather than exclusive of interest accrued.

(c) **Accrued Dividend Income**

Bank of Ireland Asset Management accrued dividend income is included in the market value

(d) **Pension Pay Date**

Payment of pensions due date, in accordance with the Local Government Pension Scheme Regulations, is the day following the date of retirement.

2. Accounting policies

2.1 Valuation of investments

- Quoted investments are stated at the mid-market value of the official closing price.
- Unquoted investments are valued at manager's market value.
- Unit trusts and Managed Funds are stated at the manager's unit value based on open market valuation.

- Properties are valued on the basis of open market value at 31 March 2005 by the independent chartered surveyors ATIS REAL Weatheralls (Northern Ireland properties - £48.350m, Great Britain properties - £154.875m) in accordance with the RICS Appraisal and Valuation Manual. Forestry properties had been agreed for sale at 31 March 2005 at a valuation recommended by the independent chartered surveyor John Clegg Consulting Limited. The market value is the sale value (£3.11m) paid by the purchaser in the first quarter of the financial year to 31 March 2006.
- Investments in foreign currencies are translated into sterling at the rate of exchange ruling on the last working day of the financial year.

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.

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.

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.

2.7 Taxation

The scheme is an exempt approved scheme under Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988, and therefore does not bear UK Income Tax or Capital Gains Tax.

| | 2004/2005 £ '000 | 2003/2004 £ '000 |
|------------------------------------|---------------------|---------------------|
| 3 Contributions receivable | | |
| Employers | | |
| normal | 28,802 | 26,965 |
| early retirement funding | 3,358 | 3,440 |
| Employees | | |
| normal | 35,505 | 33,251 |
| additional voluntary contributions | 570 | 534 |
| | <u>68,235</u> | <u>64,190</u> |

| | 2004/2005 £ '000 | 2003/2004 £ '000 |
|------------------------------|---------------------|---------------------|
| 4 Benefits payable | | |
| Pensions | 66,206 | 62,346 |
| Lump sum retiring allowances | 15,098 | 15,255 |
| Lump sum death benefits | 1,547 | 1,933 |
| | <u>82,851</u> | <u>79,534</u> |

In addition, £3.644m of agency and compensation pensions were paid on an agency basis and recharged to employing authorities (2003/04 £3.588m). During the year £0.9m was received for compensatory pensions buyouts. This amount has been offset against the pensions payable figure above

5 Payments to and on account of leavers

| | | |
|--|--------------|--------------|
| Refund to members leaving service | 330 | 330 |
| Payment for members joining state scheme | 216 | 171 |
| Transfers to other schemes | 6,522 | 4,802 |
| | <u>7,068</u> | <u>5,303</u> |

6 Administration expenses

| | | |
|-----------------------------------|--------------|--------------|
| Staff Costs | 1,021 | 909 |
| Agency Staff Costs | 23 | 44 |
| Office Overheads | 308 | 315 |
| Depreciation | 136 | 130 |
| Communication | 84 | 89 |
| Other Administration | 58 | 70 |
| Actuarial Fees | 94 | 8 |
| Internal Audit Fees | 18 | 28 |
| External Audit Fees - Audit | 31 | 24 |
| External Audit Fees - Other | 3 | 0 |
| Legal and other professional fees | 18 | 23 |
| Medical fees | 41 | 45 |
| | <u>1,835</u> | <u>1,685</u> |

7 Investment income

| | | |
|---------------------------|---------------|---------------|
| Fixed interest securities | 2,087 | 12,045 |
| Dividends from equities | 26,486 | 28,609 |
| Index-linked securities | 5,479 | 3,253 |
| Managed or unitised funds | 1,269 | 1,337 |
| Net rents from properties | 8,842 | 10,047 |
| Interest on deposits | 1,557 | 1,249 |
| Stock lending Income | 138 | 60 |
| Other | 1,350 | 22,477 |
| | <u>47,208</u> | <u>79,077</u> |

Stock Lending

The Fund's securities lending programme continued during the year ended 31 March 2005. The main features of the programme are:

- (i) Lending maximum of 25% of total investment assets.
- (ii) Global Custodian acts as securities lending manager and collateral manager.
- (iii) Collateral comprises of debt issued by UK, US, German, Netherlands, French and Portuguese governments and US cash collateral.

As at 31 March 2005, securities amounting to £87,232,655 were on loan against collateral of £88,739,336.85.

8 Investments

| | Value at 01 04 2004 £' 000 | Purchases at cost £' 000 | Sales proceeds £' 000 | Transfers/ Reclassifications £' 000 | Change in market value £' 000 | Value at 31 03 2005 £' 000 |
|---------------------------|----------------------------------|--------------------------------|-----------------------------|---|-------------------------------------|----------------------------------|
| Fixed interest securities | 112,694 | 141,217 | (144,664) | (39,153) | 2,152 | 72,246 |
| Equities | 1,145,301 | 265,265 | (243,946) | (268,043) | 79,148 | 977,725 |
| Index-linked securities | 228,521 | 61,098 | (60,491) | 0 | 5,960 | 235,088 |
| Managed or unitised funds | 472,756 | 6,501 | (43,200) | 307,196 | 66,774 | 810,027 |
| UK properties | 154,995 | 42,333 | (3,072) | (1,775) | 13,853 | 206,334 |
| AVC investments | 4,166 | 1,940 | (1,390) | 0 | 124 | 4,840 |
| | 2,118,433 | 518,354 | (496,763) | (1,775) | 168,011 | 2,306,260 |
| Short term deposits | 23,448 | 14,507 | 0 | 0 | (131) | 37,824 |
| | 2,141,881 | 532,861 | (496,763) | (1,775) | 167,880 | 2,344,084 |

Templeton House, a property owned and partially occupied by NILGOSC, was transferred to fixed assets at a current market value of £1.775m at 31 March 2005 (see note 10).

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 Passive Managed Fund. In the case of Short term deposits, this relates to exchange gains and losses.

| | 2004/2005 £ '000 | 2003/2004 £ '000 |
|----------------------------------|---------------------|---------------------|
| Fixed interest securities | | |
| UK public sector | 17,397 | 75,200 |
| UK other | 43,109 | 37,228 |
| Overseas fixed interest | 11,587 | 0 |
| Fixed interest loans | 153 | 266 |
| | <u>72,246</u> | <u>112,694</u> |
| Equities | | |
| UK quoted | 524,616 | 717,814 |
| UK unquoted | 471 | 148 |
| Overseas quoted | 452,638 | 427,339 |
| | <u>977,725</u> | <u>1,145,301</u> |
| Index-linked securities | <u>235,088</u> | <u>228,521</u> |
| Managed or unitised funds | | |
| Unit trusts - property | 25,221 | 22,044 |
| Unit trusts - other | 784,806 | 450,712 |
| | <u>810,027</u> | <u>472,756</u> |
| UK properties | <u>206,334</u> | <u>154,995</u> |
| Short term deposits | | |
| Sterling deposits | 30,337 | 15,094 |
| Foreign currency deposits | 7,594 | 8,335 |
| Forward currency contracts | (107) | 19 |
| Short term deposits - UK | <u>37,824</u> | <u>23,448</u> |

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.

Forward currency contracts totaling (£107,043) were in place in respect of the Funds' holdings in the US, Europe and Mexico at 31 March 2005.

AVC Investments

The Committee held assets invested separately from the main fund which secure additional benefits on a money purchase basis for those members electing to pay AVC's. The investments are with both Equitable Life Assurance Society and Prudential.

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:

| | 2004/2005 £ '000 | 2003/2004 £ '000 |
|--|---------------------|---------------------|
| Equitable Life Assurance Company Limited | | |
| Equitable Life with profits | 720 | 835 |
| Equitable Life unit-linked funds | 201 | 217 |
| Equitable building society fund | 111 | 134 |
| | <u>1,032</u> | <u>1,186</u> |
| Prudential Life Assurance Company Limited | | |
| Prudential With Profits Accumulation Fund | 2,145 | 1,641 |
| Prudential Deposit Fund | 440 | 423 |
| Prudential Cash Fund | 50 | 44 |
| Prudential Discretionary Fund | 173 | 142 |
| Prudential Fixed Interest Fund | 66 | 56 |
| Prudential Global Equity Fund | 59 | 33 |
| Prudential Index Linked Fund | 54 | 45 |
| Prudential International Fund | 56 | 39 |
| Prudential Property Fund | 91 | 64 |
| Prudential Retirement Protection Fund | 94 | 72 |
| Prudential Socially Responsible Fund | 73 | 48 |
| Prudential UK Equity Fund (Passive) Fund | 358 | 275 |
| Prudential UK Equity Fund | 147 | 98 |
| Prudential - Other Funds | 2 | 0 |
| | <u>3,808</u> | <u>2,980</u> |

| | 2004/2005 | 2003/2004 |
|--|--------------|--------------|
| | £ '000 | £ '000 |
| 9 Other investment assets | | |
| Income due | 4,538 | 10,293 |
| Prepaid rents | (2,662) | (1,474) |
| Rents due | 1,101 | 814 |
| Investment management fees accrued | (971) | (1,029) |
| | <u>2,006</u> | <u>8,604</u> |
| 10 Other assets and liabilities | | |
| Fixed assets | | |
| Templeton House | 1,775 | 0 |
| Computer assets | 50 | 119 |
| Fixtures and fittings | 31 | 23 |
| Office Refurbishment | 543 | 601 |
| Contributions due * | | |
| Employer | 2,248 | 2,281 |
| Employee | 2,763 | 2,787 |
| Sundry debtors | 3,225 | 1,968 |
| Cash balances | (120) | (593) |
| Unpaid benefits | (1,216) | (300) |
| Accrued expenses | (1,058) | (915) |
| | <u>8,241</u> | <u>5,971</u> |

*All contributions due to the scheme relate to the month of March 2005 and were paid in full to the scheme within the timescale required by the Local Government Pension Scheme Regulations (Northern Ireland) 2002.

11 Staff Costs

The average weekly number of employees (full time equivalent) was:

| | 2004/2005 | 2003/2004 |
|---------------|-----------|-----------|
| NILGOSC Staff | 40 | 39 |
| Agency Staff | 1 | 1.5 |

The costs incurred in respect of these employees were:

| | 2004/2005 | 2003/2004 |
|-----------------------|--------------|------------|
| | £'000 | £'000 |
| NILGOSC Staff | | |
| Salaries | 916 | 815 |
| Social Security costs | 64 | 57 |
| Other pension costs | 40 | 37 |
| Agency Staff | | |
| Salary costs | 23 | 44 |
| Total | 1,043 | 953 |

Other pension costs relate to employer contributions to the NILGOSC scheme. As an employer, NILGOSC paid contributions of 4.6% of members' pensionable earnings.

NILGOSC has introduced a Shared Cost AVC arrangement under Regulation 69 of the Local Government Pension Scheme Regulations (Northern Ireland) 2002, to provide top up death in service cover for employees. Under this arrangement, NILGOSC, as an employer, will contribute 50% of the cost for any of its employees who take out a SCAVC arrangement with the in-house scheme AVC provider to provide further death in service cover of up to 2 years pensionable pay. The total contribution paid by NILGOSC was £498.

Senior Management Emoluments & Pension Entitlements

| | Title | Salary | Real Increase in pension & related Lump Sum at Age 60 | Total Accrued Pensions at Age 65 & Related Lump Sum | CETV at 31/03/04 | CETV at 31/03/05 | Real Increase in CETV after adjustment |
|---------------|------------------|--------------------------------|---|---|------------------|------------------|--|
| | | £ | £ | £ | £ | £ | £ |
| Deane Morrice | Secretary | Consent to disclosure Withheld | | | | | |
| David Murphy | Deputy Secretary | 57,574 | 875 | 31,772 | 68,934 | 83,166 | 11,959 |
| Andrew Yap | Finance Manager | Consent to disclosure Withheld | | | | | |
| Lynda White | Pensions Manager | Consent to disclosure Withheld | | | | | |

'Salary' includes gross salary, a one-off payment of £3,678 for a change of contractual terms and conditions and essential user's allowance. 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. In addition a lump sum equivalent to three years pension is payable on retirement.

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 users allowance of £954.

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

| | 2004/2005 | 2003/2004 |
|--------------------|-----------|-----------|
| Emolument Received | £10,357 | £10,128 |

12 Performance against Key Financial Targets

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

13 Contingent Liabilities

There were no contingent liabilities at 31 March 2005 (2004: £NIL).

14 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.

NILGOSC occupies Templeton House, a property previously included within the Fund's investment properties. As NILGOSC occupies 67% of the building, this property was transferred out of investment properties at open market value and accounted for as a fixed asset at 31 March 2005.

15 Summary of Losses and Special Payments

(i) Losses

Losses incurred on sale of investments are disclosed as a "Change in Market Value" in Note 8. There are no other losses required to be disclosed under Government Accounting rules.

(ii) Special Payments

There were no special payments during the year.

Report by the Actuary for 2004/05 Accounts

Actuarial statement for the purpose of Regulation 77 of the Local Government Pension Scheme Regulations (Northern Ireland) 2002.

As required by regulations, an actuarial valuation of the Fund's assets and liabilities was carried out as at 31 March 2004. This is part of a series of three yearly valuations.

Summary of Methods and Assumptions Used

The Common Contribution Rate of 17.3% of pay [2001: 4.6% of pay] was calculated on the Projected Unit Method. This assesses the cost of benefits accruing to existing members during the year following the valuation, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities (allowing for future salary increases) and the market value of assets. Any deficit is spread over a period of 20 years.

A higher contribution rate has been certified for one individual employer that is closed to new entrants, calculated under the Attained Age Method. This method assesses the cost of benefits accruing to existing members during their anticipated period of future membership, allowing for future salary increases. In this case, the resulting contribution rate is adjusted by spreading the past service deficit over a period of 15 years.

Since I have taken assets into account at their market value it is appropriate for me to take my lead from the market when setting the financial assumptions used to value the ongoing liabilities, to ensure compatibility of the asset and liability valuation bases. The anticipated returns on assets used to place capital value on the stream of projected liability payments, are set by reference to the prevailing returns available on investing in the Government bond market. Long-term returns from equities of 2% a year more than Government bonds are anticipated.

The key financial assumptions adopted for this valuation were as follows:

| Financial Assumptions | Mar 2004 | |
|--|-------------------|----------------|
| | % p.a. Nominal | % p.a. Real |
| Minimum risk rate of return | 4.7% | 1.8% |
| Investment Return | | |
| Equities | 6.7% | 3.8% |
| Government Bonds | 4.7% | 1.8% |
| Property | 5.7% | 2.8% |
| Discount Rate = (75% Equities, 18% Gilts, 7% Property) | 6.3% | 3.4% |
| | | |
| Pay Increases | 4.4% | 1.5% |
| Price Inflation / Pension Increases | 2.9% | - |

Full details of the method and assumptions are described in the valuation report dated March 2005.

2004 Valuation Results

The 2004 valuation revealed that at 31 March 2004, the Fund's assets as a whole were sufficient to meet 85% (2001: 121%) of the liabilities accrued up to that date. Assets were taken into account at their then market value of £2,152m (£2,376m smoothed market value at 31 March 2001).

The Committee agreed to allow employers to phase in the contribution rise - for most employers from 4.6% to 17.3% of pay - over a period of up to 6 years.

The minimum employer contribution rates are set out in the Rates and Adjustments certificate included in our valuation report. For most employers, they are as follows:

| Minimum Employer Contribution Rate | | | |
|------------------------------------|---------|---------|---------|
| 2004/05 | 2005/06 | 2006/07 | 2007/08 |
| 4.6% | 8.5% | 11% | 13% |

Unless experience up to the 2007 valuation is better than anticipated in the 2004 valuation assumptions, further contribution rises would be expected, taking the contributions up to around the level of the Common Contribution Rate of 17.3% of pay by 2010/11. If experience is in line with the 2004 valuation assumptions and employers pay the minimum contribution rates, I would expect the funding level to fall by around three percentage points.

Employers can pay more than the minimum rate if they wish. Doing so would reduce the risk of further contribution rises after the 2007 valuation.

None of these figures allow for the potential savings which would flow if the Rule of 85 was abolished.

Experience Since 31 March 2004

By 30 June 2005, equities have returned over 20%. However, long-term interest rates had fallen, and due to the phasing-in of contribution rate increases, employers are currently paying insufficient contributions to meet the cost of benefit accrual. The negative impact of the latter two factors has outweighed the impact of the favourable equity performance. As a result, if a valuation was carried out now, I would expect the recommended employer contribution rates to be 1-2% of pay higher than those recommended at the 31 March 2004 valuation.

Copies of the valuation report are available on request from the Northern Ireland Local Government Officers' Superannuation Committee, the administering authority to the Fund. The next valuation of the Fund will be carried out as at 31 March 2007.

W Douglas B Anderson
Fellow of the Institute of Actuaries
For and on behalf of Hymans Robertson LLP
29 August 2005

Hymans Robertson LLP
20 Waterloo Street
GLASGOW
G2 6DB

Auditor's Report

The Opinion of the Local Government Auditor to the Accounting Officer for the Department of the Environment.

I have audited the financial statements of the Northern Ireland Local Government Officers' Superannuation Committee for the year ended 31 March 2005 on pages 34 to 44 which have been prepared pursuant to Regulation 76(2) of the Local Government Pension Scheme Regulations (Northern Ireland) 2002 and under the accounting policies set out on pages 36 and 37.

Respective responsibilities of the Northern Ireland Local Government Officers' Superannuation Committee, Secretary and Local Government Auditor.

As described on page 31, the Northern Ireland Local Government Officers' Superannuation Committee, through the Secretary is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Northern Ireland Local Government Officers' Superannuation Committee and Secretary are also responsible for the preparation of the Foreword and other contents of the Annual Report. My responsibilities, as independent Auditor, are established by Regulations and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Regulation 76(3) of the Local Government Pension Scheme Regulations (Northern Ireland) 2002, and whether in all material respects the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Northern Ireland Local Government Officers' Superannuation Committee has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit. I also report to you my opinion as to whether the contributions have been paid in accordance with the Scheme rules and the recommendation of the Actuary.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 32 to 33 reflects the Northern Ireland Local Government Officers' Superannuation Committee's compliance with the Department of Finance and Personnel's guidance "Statement on Internal Control". I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accounting Officer's statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the entity, corporate governance procedures or its risk and control procedures.

Basis of opinions

I conducted my audit in accordance with Regulation 76(5) of the Local Government Pension Scheme Regulations (Northern Ireland) 2002, and with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes an examination on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included

in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Northern Ireland Local Government Officers' Superannuation Committee and Secretary in the preparation of the financial statements and of whether the accounting policies are appropriate to the Northern Ireland Local Government Officers' Superannuation Committee's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. Whether caused by fraud or other irregularity or error and that in all material respects, the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of the information in the financial statements.

My work also included examination, on a test basis, of evidence relevant to the amounts of contributions paid to the scheme and the timing of these payments.

Opinion

In my opinion:

- the financial statements show a true and fair view of the financial transactions of the Northern Ireland Local Government Officers' Superannuation Committee during the year ended 31 March 2005 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 have been properly prepared in accordance with Regulation 76(2) of the Local Government Pension Scheme Regulations (Northern Ireland) 2002;
- in all material aspects the financial transactions conform to the authorities which govern them; and
- the contributions payable to the Scheme during the year ended 31 March 2005 have been paid in accordance with the rules of the Scheme and with the recommendation of the Actuary.

J S BUCHANAN

Local Government Auditor

City Hall
Belfast
BT1 5GS

27 October 2005

Employing Authorities Contributing to the Scheme

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

Restricted Membership

United Dairy Farmers*
Royal College of Nursing**
* Former Milk Marketing Board Scheme members as at 28 February 1995
** Closed to new entrants since 1 April 1990

Associated Bodies

Abode Housing Association Limited
Agricultural Research Institute of Northern Ireland
Ards Citizens' Advice Bureau
Arc21 Joint Committee
Ark Housing Association Northern Ireland Ltd
Armagh Observatory
Armagh Planetarium
Arts Council of Northern Ireland
Ballynafeigh Housing Association Limited
Belfast Charitable Society
Belfast Community Housing Association Limited
Belfast Visitor & Convention Bureau
BIH Housing Association Limited
Choice Housing Association Limited
Citybus Limited
Clothing and Industrial Training Services
Coleraine Harbour Commissioners
Community Relations Council
Connswater Housing Association Ltd
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 Investment Initiative
Derry Visitor and Convention Bureau
Donacloney Housing Association Ltd
Engineering Training Council (NI) Limited
Enterprise Ulster
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
Hearth Housing Association Limited
Kingdoms of Down Tourism

Laganside Corporation
Linen Hall Library
Lisnevin Juvenile Justice Services
Livestock & Meat Commission for Northern Ireland
Local Government Staff Commission
Millennium Forum
Mourne Heritage Trust
Newington Housing Association (1975) Limited
North & West Housing 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
Presbyterian Housing Association (NI) Limited
Probation Board for Northern Ireland
Rural Development Council for Northern Ireland
Rural Housing Association
South Ulster Housing Association Limited
Sports Council for Northern Ireland
St Joseph's Adolescent Centre
St Matthew's Housing Association Limited
Staff Commission for Education and Library Boards
SHAC Housing Association
Ulidia Housing Association Limited
Ulsterbus Limited
University of Ulster
Woodvale & Shankill Housing Association 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
Armagh College of Further Education
Assumption Grammar School
Ballymena Academy
Bangor Grammar School
Belfast High School
Belfast Institute of Further and Higher Education
Belfast Royal Academy
Bloomfield Collegiate School
Braidside Integrated Primary & Nursery School
Bridge Integrated Primary School
Campbell College
Castlereagh College of Further and Higher Education
Causeway Institute of Further and Higher Education
Cedar Integrated Primary School
Christian Brothers Grammar School
Coleraine Academical Institution
Comhairle Na Gaelscolaiochta
Convent Grammar School Strabane
Dalriada School
Dominican College
Dominican College - Portstewart
Drumragh Integrated College
East Antrim Institute of Further and Higher Education
East Down Institute of Further and Higher Education
East Tyrone College of Further Education
Enniskillen Integrated Primary School
Erne Integrated College
Fermanagh College of Further Education
Foyle and Londonderry College
Friends School
Hazelwood College
Hazelwood Integrated Primary School
Hunterhouse College
Integrated College Dungannon
Jordanstown Schools
Lagan College
Larne Grammar School
Limavady College of Further and Higher Education

Lisburn Institute of Further and Higher Education
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
Newry & Kilkeel College of Further Education
North Coast Integrated College
North Down and Ards Institute of Further and Higher Education
North East Institute of Further and Higher Education
North West Institute of Further and Higher Education
Oakgrove Integrated College
Oakgrove Integrated Primary School
Oakwood Integrated Primary School
Omagh College of Further Education
Omagh Integrated Primary School
Our Lady & St Patrick's College
Our Lady's Grammar School
Rainey Endowed School
Rathmore Grammar School
Royal Belfast Academical Institution
Royal School, Armagh
Royal School, Dungannon
Sacred Heart Grammar School
Saints & Scholars Integrated Primary School
Shimna Integrated College
Slemish Integrated College
Sperrin Integrated College
Spires Integrated Primary School
St Columb's College
St Dominic's High School
St Joseph's Grammar School
St Louis Grammar School
St MacNissi's College
St Malachy's College

St Mary's Christian Brothers
St Mary's Grammar School
St Mary's University College
St Michael's College
St Patrick's Academy
St Patricks Grammar School
Strangford College
Stranmillis University College
Strathearn School
Sullivan Upper School
Thornhill College
Ulidia Integrated College
Upper Bann Institute of Further and Higher Education
Victoria College
Wallace High School
Windmill Integrated Primary School

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. |
| 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. |
| 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. |
| Contributions | The money paid by an individual or their 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. |
| Deferred Member | An individual who has left the scheme but will get pension benefits when they retire. |
| Defined Benefit Scheme | A pension scheme which states in advance the level of benefits that will be paid on retirement, usually based on length of 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 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. |
| Preserved Benefits | Benefits which are 'frozen' at the time an individual leaves the scheme and are payable at a later date. |
| Retail Price Index | A measure of consumer inflation. |
| Securities | A general name for shares, stocks and bonds issued to investors. |
| Shares | Sold by companies looking to raise money. Shares give the holders an interest in the company and a right to share in the profits. |
| 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 individuals pension rights, which can be transferred to another pension scheme to provide alternative benefits. |



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Superannuation Committee

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