

**Northern Ireland
Local Government Officers'
Superannuation Committee**



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**Northern Ireland
Local Government Officers'
Superannuation Committee**

**Annual Report
& Accounts
2005/06**

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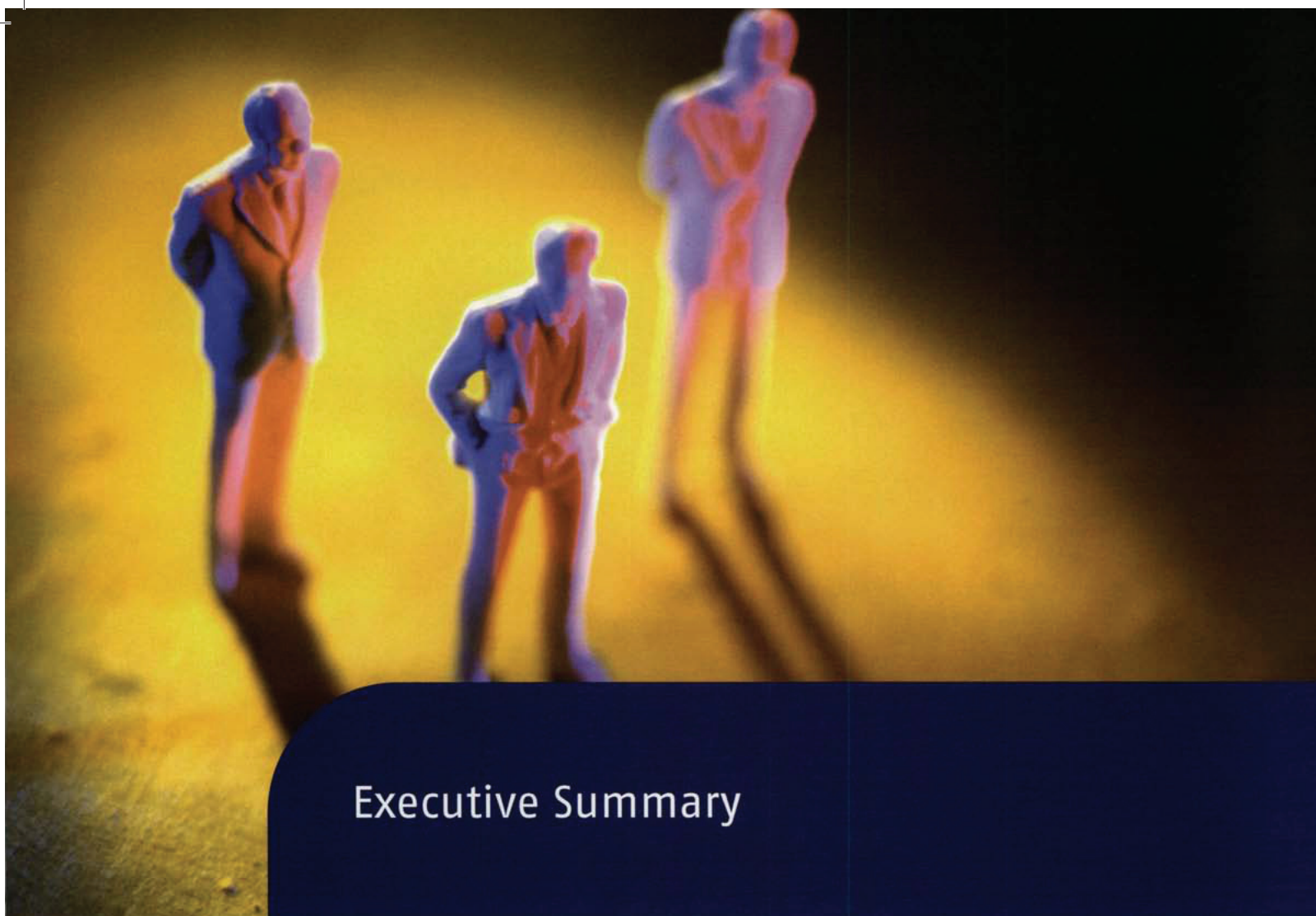
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Index Tracking Fund	Investments are made to match closely the performance of a market index such as the FTSE All-Share Index. It does not aim to outperform the market like active management does.
Inflation	The general rate of increase in prices and 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 individual's pension rights, which can be transferred to another pension scheme to provide alternative benefits.

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Executive Summary

2005/06 was another challenging year for the Scheme with pension issues continuing to dominate the headlines. NILGOSC has risen to these challenges by continuing with its proactive approach to investment management, a fact reflected in the financial position of the pension fund at 31 March 2006. The following is a summary of our key achievements during the year.

Administration of The Scheme

- Membership of the Scheme continued to grow with 2 new bodies approved for admission during 2005/06, and a total of 74,688 contributing members, pensioners and deferred pensioners at 31 March 2006.
- Employer contribution rates rose to 8.5% with effect from 1 April 2005, in line with the Committee's planned stepped contribution increases.
- Pensions increased by 3.1% with effect from 11 April 2005, in accordance with the Pensions Increase (Review) Order (Northern Ireland) 2005.
- Regulations came into force during 2005/06 making minor amendments to the rules governing the admission of new employing bodies to the Scheme, as well as reducing the qualifying period of membership with respect to entitlement to benefits.
- In 2005/06 NILGOSC undertook its annual survey of members, pensioners and employers which indicated that 93% were satisfied with the service provided for the second year running.

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.

Sports Council for Northern Ireland
 Sports Institute 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

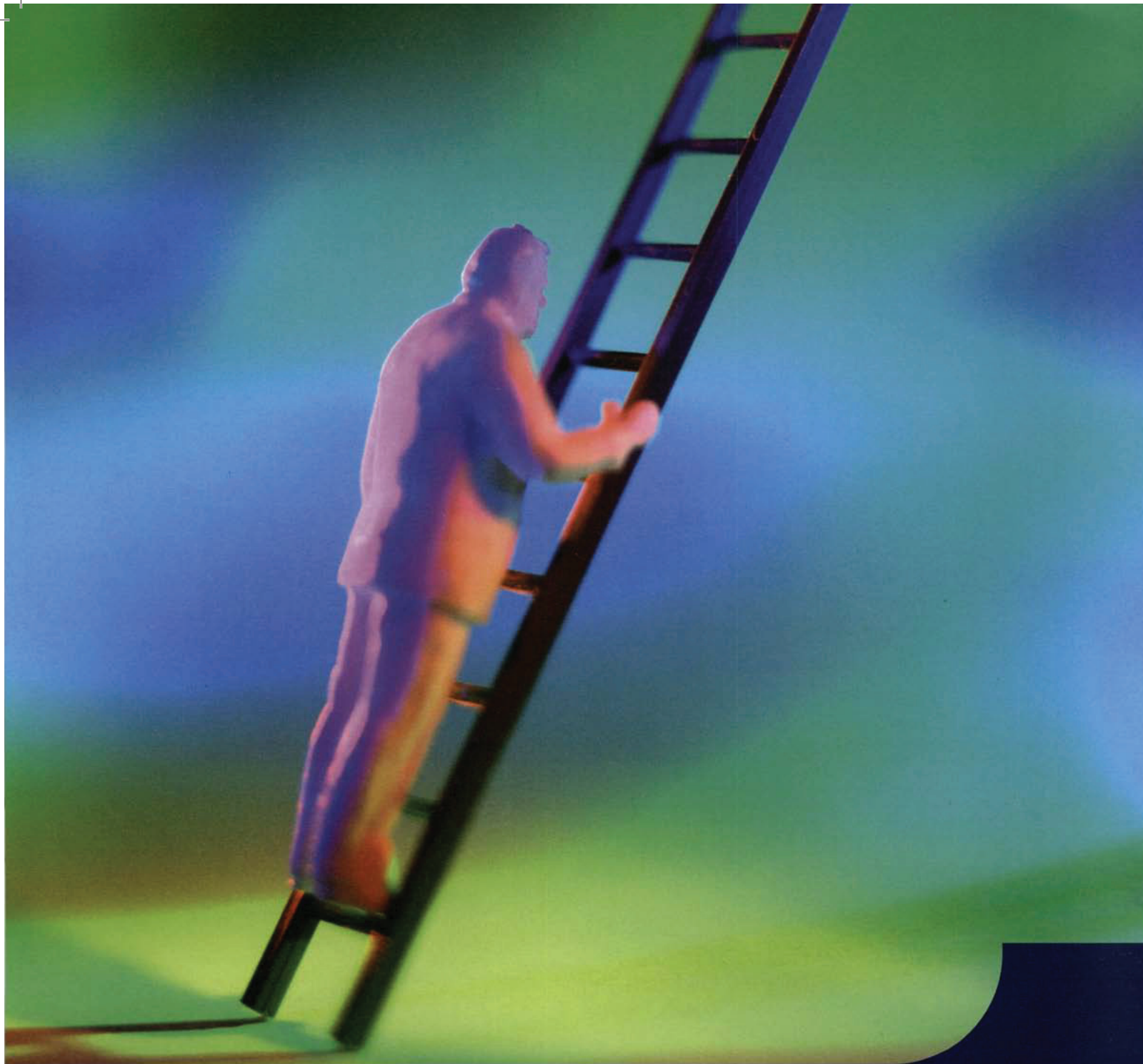
Abbey Christian Brothers Grammar School
 Acorn Integrated Primary School
 Aquinas Diocesan Grammar School
 Armagh College of Further Education
 Armagh Integrated Primary School
 Assumption Grammar School
 Ballymena Academy
 Bangor Grammar School
 Belfast High School
 Belfast Institute of Further and 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
 Comhairele Na Gaelscolaiochta
 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



Investment of the Fund

- The value of the fund increased by £616m to £2.97bn during the year ended 31 March 2006.
- For the third year running, the fund yielded a positive return, with a return on total assets of 25.61%.
- The fund benefited from another strong year for equities, with UK equities and overseas markets returning 28% and 29.6% respectively. Bond and property markets also performed well during 2005/06.
- Both the Fund's UK equity manager, Baillie Gifford, and global passive manager, Legal & General, outperformed their benchmarks for the year ended 31 March 2006. Baillie Gifford outperformed their benchmark by 1.98% while Legal & General exceeded their benchmark by 0.02% for the third year in a row.
- Following a period of underperformance, the Committee terminated the mandate with its global equity manager, Bank of Ireland, in October 2005.



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 2006 to the Department of the Environment.

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
 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 Visitor and Convention Bureau
 Donacloney Housing Association Ltd
 Engineering Training Council (NI) Limited
 Enterprise Ulster
 Filor Housing Association Limited
 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
 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 Fire and Rescue Service
 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

overall adequacy of the presentation of the information in the financial statements and that part of the Remuneration Report to be audited.

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 give a true and fair view of the financial transactions of the Northern Ireland Local Government Officers' Superannuation Committee during the year ended 31 March 2006 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);
- the financial statements and the part of the Remuneration Report to be audited 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 expenditure and income have been applied to the purposes intended by Parliament and financial transactions conform to the authorities which govern them; and
- the contributions payable to the Scheme during the year ended 31 March 2006 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

22 August 2006

The Committee

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

Committee's Responsibilities

The Committee is required under the Local Government Pension Scheme Regulations (Northern Ireland) 2002, as amended, 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 Foreword;
- a Statement of the Committee's Responsibilities;
- an Accounting Officer's Statement;
- a Fund Account;
- a Net Assets Statement;

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

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

Committee Members

The Management Committee (which is similar to a board of directors or trustees) consists of a chairman, five members nominated by employers' organisations, 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:



John Galbraith
Chairman

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.

Employer Organisation Nominees

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

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

Mr Pat Cumiskey is the Director of Corporate Services of Banbridge District Council

Mr Frank Dunne is the Deputy Chair of Northside Village Trust, Treasurer of North & West Housing Association and Vice-chair of the NIFHA Council.

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

Mr Brian Campfield is the Deputy General Secretary of the Northern Ireland Public Service Alliance and is President of the Belfast Trades Union Council.

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.

Mr Brendan Heaney is a longstanding member of the Amicus Trade Union and a Director of the Belfast Trust for Integrated Education.

Mr Lewis Love is the Principal of Omagh High School.

Mr Albert Mills is the Regional Industrial Organiser for the Transport and General Workers Union.



David Bell



Stewart Cuddy



Pat Cumiskey



Frank Dunne



Eamon Mullan



Brian Campfield



Joan Foster



Brendan Heaney



Lewis Love



Albert Mills

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

There were fourteen meetings of the Management Committee during the year 2005/06. This included a special meeting to examine asset allocation in June 2005 and 2 meetings to select Committee fund managers. In addition, three Audit Committee and two Staffing Committee meetings were held during 2005/06. The Audit and Staff Committees are sub-committees of the Management Committee.

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

Details of attendance during 2005/06 are set out below:

	Management Committee	Audit Committee	Staff Committee
John Galbraith	100%		
David Bell	93%		
Brian Campfield	79%	100%	
Stewart Cuddy	79%	67%	
Pat Cumisky	100%	100%	
Frank Dunne	86%		100%
Joan Foster	86%		100%
Brendan Heaney	79%		100%
Lewis Love	57%	33%	
Albert Mills	64%		
Eamon Mullan	64%		
Average	81%	75%	100%

Minutes

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

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

Declaration of Interests

In order to achieve the maximum degree of openness and impartiality, the Committee maintains a register of Committee Members' and Officers' Interests. The register is open for inspection at the Committee's offices and is summarised on NILGOSC's web site which can be found at www.nilgosc.org.uk/FOI.html

Secretary

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

The Permanent Secretary for the Department of the Environment has designated the Secretary as the

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

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 2006 on pages 31 to 40 which have been prepared pursuant to Regulation 76(2) of the Local Government Pension Scheme Regulations (Northern Ireland) 2002. These comprise the Fund Account, Net Assets Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

The Northern Ireland Local Government Officers' Superannuation Committee, through the Secretary is responsible for the preparation of the financial statements in accordance with Local Government Pension Scheme Regulations (Northern Ireland) 2002 and for ensuring the regularity of financial transactions. These responsibilities are set out in the Committee's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with Regulation 76(3) of the Local Government Pension Scheme Regulations (Northern Ireland) 2002. I also report whether in all material respects expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Annual Report is not consistent with the Actuary's Report, if the Northern Ireland Local Government Officers' Superannuation Committee has not kept proper accounting records, if I have not received all the information and explanations I require for my audit or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed. 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 review whether the statement on pages 29 to 30 reflects the Northern Ireland Local Government Officers' Superannuation Committee's compliance with the Department of Finance and Personnel's guidance on "Statement on Internal Control" and I report if it does not. I am not required to consider whether the Accounting Officer's statements on Internal Control covers all risks and controls or to form an opinion on the effectiveness of the entity, corporate governance procedures or its risk and control procedures.

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 report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the remuneration Report to be audited. 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 most 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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the

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

The financial experience of the Fund since the 31 March 2004 valuation has been mixed, with significant rises in the value of equity investments but, partially offsetting this, falls in long-term rates of interest. Also, due to the phasing-in of contribution rate increases, employers are currently paying insufficient contributions to meet the cost of benefit accrual.

As at May 2006, I would expect the combined effects of the changes in investment market conditions, the inclusion of a reserve for mortality improvement and the phasing in of employer contributions to result in an increase to employer contribution rates. As a result, if a valuation was carried out now, I would expect the recommended employer contribution rates to be 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
16 May 2006

Hymans Robertson LLP
20 Waterloo Street
GLASGOW
G2 6DB

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 to the Financial Statements. The auditors did not perform any non audit work this year.

Disclosure of Relevant Audit Information

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

Financial Instruments

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

Fixed Assets

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.

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 is carried out every year from which a three-year training programme is prepared. Staff are involved in the preparation of the annual corporate plan. 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 2005/06 was 11 days.

D W Morrice
Secretary

22 August 2006

Chairman's & Secretary's Report



John Galbraith, Chairman



Deane Morrice, Secretary

The last twelve months have been notable for both the nationwide discussion on, and subsequent changes to the Scheme benefit structure and also the significant positive performance of the Scheme's investment fund.

Changes to the Northern Ireland Local Government Pension Scheme

After much discussion, strike action, consultation and negotiation, new regulations were issued for the Local Government Pension Scheme in England and Wales in March 2006. Whilst these regulations have not been made in Northern Ireland, the Department of the Environment has given NILGOSC the power to anticipate their introduction.

In summary the Amendment Regulations provide that:

- The 85 year rule (i.e. the rule that allows a member to retire before age 65 with unreduced benefits if the member's age and length of service is greater than or equal to 85 years) will be removed for benefits accruing on or after 1 October 2006 except for those affected by Transitional Protection. Draft regulations are currently out for consultation to delay removal of the 85 year rule for existing members until 1 April 2008. For some members this means they will not be able to retire on an unreduced pension until age 65;
- Upper age for scheme membership is up to the day before 75th birthday, and scheme benefits must be paid before 75th birthday;
- 'A day' tax changes are incorporated into the scheme removing the old cap on earnings payable into the scheme and facilitating the commutation of pension (including pension accrued from AVCs) to tax free lump sum; and
- Introducing flexible retirement.
- The introduction of these amendments will make the Scheme more cost effective but the Department for Communities and Local Government, who make the Scheme rules for England and Wales, are committed to using half of the savings to improving the scheme benefits in the future.

Report by the Actuary for 2005/06 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 a 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.

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.

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.

Future of the Scheme

The Department for Communities and Local Government published in June 2006 a consultation paper outlining a number of options for a new local government pension scheme. The consultation document *Where next? – Options for a new-look Local Government Pension Scheme in England and Wales* contains further information. This can be accessed via the DCLG website at www.communities.gov.uk/consultations.

The document was only just published at the time of writing this report so we have yet to examine the options and form a view on the most suitable scheme for Northern Ireland but will do so during the Summer of 2006.

Constitution of NILGOSC

The findings of the Northern Ireland Executive's Review of Public Administration were published during the year and we were pleased to note that NILGOSC will remain as a Non-Departmental Public Body with the Department of the Environment as its parent body. The Management Committee of NILGOSC reflect the views of employers and employees and we believe this is a significant benefit of the current status. In addition the handling of the pension scheme administration by one body for the whole of Northern Ireland gives obvious economies of scale.

Investment Performance

Overall the fund returned 25.61% during the year which is significantly ahead of inflation and National Average Earnings. NILGOSC investment performance is also ahead of the average performance of other local authority schemes. This impressive performance is attributable in part to asset allocation decisions taken by the Committee in June 2005 in choosing to maintain a high equity weighting.

The Committee continues to set targets for each of its fund managers. Bank of Ireland did not meet these targets and the funds under their management were transferred temporarily to Legal and General until a new Global Equity Manager was appointed. Alliance Bernstein was subsequently appointed from June 2006.

In March 2006 LaSalle Property Management was appointed as the Committee's property adviser following a routine tendering exercise arising following the expiration of the three year contract of Colliers CRE.

Responsible Investment

The Committee took a further step towards implementing a Responsible Investment Policy during the year. We agreed to vote at all AGMs of the companies in which we invest and to follow a voting policy that is based principally on the Institutional Shareholders' Committee's Combined Code. NILGOSC expects its investee companies to have the highest regard to good corporate governance and will use its voting rights to express concern over corporate governance issues.

Voting commenced after the year end in April 2006 for the UK markets and will be rolled out globally in 2007. Voting is only the latest step for the Committee in Responsible Investment as it intends to look at issues such as engagement and ethical investment in 2006/07 in order to devise a Responsible Investment Policy.

Thanks

Finally we would like to thank the Committee members and staff for their work during 2005/06.

The Committee members as a group have devoted considerable time and effort to Committee business over the year including overnight stays for meetings and training events.

The staff have again worked hard to ensure that a high level of service is maintained with customer satisfaction keeping steady at 93%.

A well deserved thank you is due to both groups for the hard work and support during the year.

John Galbraith
Chairman

Deane Morrice
Secretary

June 2006



Administration of the Pension Scheme

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.

	2005/2006 £'000	2004/2005 £'000
10 Other assets and liabilities		
Fixed assets		
Templeton House	1,815	1,775
Templeton House revaluation reserve	(111)	-
Computer assets	24	50
Fixtures and fittings	17	31
Office refurbishment	482	543
Contributions due*	3,278	2,248
Employers		
Employees	2,247	2,763
Sundry debtors	2,368	3,225
Cash balances	1,602	(120)
Unpaid benefits	(1,182)	(1,216)
Accrued expenses	(2,617)	(1,058)
	<u>7,923</u>	<u>8,241</u>

*All contributions due to the scheme relate to the month of March 2006 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:

	2005/2006	2004/2005
NILGOSC Staff	42	40
Agency Staff	1	1

The costs incurred in respect of these employees were:

	2005/2006 £'000	2004/2005 £'000
<i>NILGOSC Staff</i>		
Salaries	914	916
Social Security costs	67	64
Other pension costs	74	40
<i>Agency Staff</i>		
Salary costs	21	23
Total	<u>1,076</u>	<u>1,043</u>

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 and contractual commitments

There were no contingent liabilities at 31 March 2006 (2005: £NIL). At the year end NILGOSC had a capital development commitment of approximately £3.3m in respect of one of its properties (2005: £NIL).

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:

	2005/2006 £'000	2004/2005 £'000
Equitable Life Assurance Company Limited		
Equitable Life with profits	375	720
Equitable Life unit-linked funds	131	201
Equitable building society fund	57	111
	<u>563</u>	<u>1,032</u>
Prudential Life Assurance Company Limited		
Prudential With Profits Accumulation Fund	2,592	2,145
Prudential Deposit Fund	730	440
Prudential Cash Fund	108	50
Prudential Discretionary Fund	265	173
Prudential Fixed Interest Fund	56	66
Prudential Global Equity Fund	82	59
Prudential Index Linked Fund	63	54
Prudential International Fund	117	56
Prudential Property Fund	125	91
Prudential Retirement Protection Fund	108	94
Prudential Socially Responsible Fund	93	73
Prudential UK Equity Fund (Passive) Fund	483	358
Prudential UK Equity Fund	217	147
Prudential Corporate Bond Fund	2	1
Prudential Aberdeen Balanced Fund	1	0
Prudential Overseas Equity Fund	4	0
Prudential Pre Retirement Fund	1	0
Prudential UK Specialist Equity Fund	0	0
Prudential Aberdeen North American Equity Fund	0	0
Prudential BGI Global Equity Index Fund	0	0
Prudential Long Term Growth Fund	0	0
	<u>5,047</u>	<u>3,807</u>
9 Other investment assets		
Income due	10,765	7,419
Prepaid rents	(2,352)	(2,662)
Rents due	1,031	1,101
Investment management fees accrued	(1,093)	(971)
	<u>8,351</u>	<u>4,887</u>

The Scheme is funded by contributions made by both employees and employers who have been admitted to the Scheme. Employee contribution 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 had allowed employer contribution rates to remain at 4.6% up to 31 March 2005, with any employers admitted to the Scheme after 1 April 1999 paying a higher rate dependant on the prevailing employer contribution rate at the time of admission.

Following the results of the 2004 actuarial valuation, the Committee introduced a series of stepped employer contribution increases with effect from 1 April 2005.

Employers Admitted	1 April 05 – 31 March 06	1 April 06 – 31 March 07	1 April 07 – 31 March 08
Before 1 April 1999	8.5%	11%	13%
After 1 April 1999 and before 31 March 2002	12%	13%	13%
After 31 March 2002	13%	13%	13%

Status

The Scheme is a statutory public service pension scheme as defined by the Pensions Schemes Act (Northern Ireland) 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.

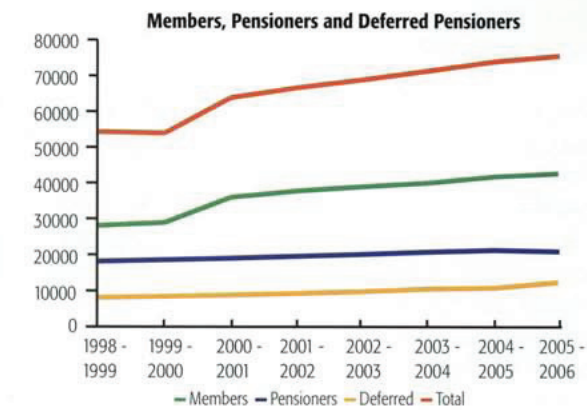
Membership

The Scheme continued to grow during 2005/06 both in terms of admitted bodies and individual employees.

At 31 March 2006, there were 209 employing authorities contributing to the NILGOSC Scheme. A full list of these organisations can be found on pages 45 to 46. Two new bodies were approved for admission to the Scheme during the year ended 31 March 2006:

Employing Authority	Effective Date
Sports Institute Northern Ireland	1 April 2005
Armagh Integrated Primary School	1 Sept 2005

Membership of the scheme also increased during the year and at 31 March 2006 the Scheme consisted of 42,103



contributing members, 20,843 pensioners and 11,742 deferred pensioners.

The chart below shows the increase in each category of member over the past 8 years:

Pensions Increase

During the year, NILGOSC pensions were increased by 3.1%, with effect from 11 April 2005. 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 Pensions Increase (Review) Order (Northern Ireland) 2005 and this year's figure reflected the annual increase in the Retail Prices Index for the year ending 30 September 2004. 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.

New Regulations

The following new regulations came into effect during 2005/06.

The Local Government Pension Scheme (Amendment) Regulations (Northern Ireland) 2005

The above regulations came into operation on 1 May 2005 and made various minor amendments to the regulations governing the admission of new employing bodies to the Scheme. Most notably, the regulations distinguish between "community admission bodies" (previously known as non-Scheme employers or admitted bodies) and "transferee admission bodies", essentially private contractors providing a service in connection with the exercise of a function of a Scheme employer, or a body providing a public service which is approved by the Department of the Environment for the purposes of admission to the Scheme.

The Local Government Pension Scheme (Amendment No. 2) Regulations (Northern Ireland) 2005

The second set of regulations came into operation on 1 June 2005. Under these Regulations, the qualifying period of membership for entitlement to benefits was reduced from two years to three months for members joining on or after 1 June 2005. Consequently, ill-health grants cease to exist for new members and long-term spouses' benefit becomes payable after three months' membership. The Regulations introduced restrictions on combining two or more periods of membership. Re-joining deferred members must elect to combine membership within 12 months of rejoining (or within 12 months of the Regulations coming into operation if they were already re-employed at that time). A pensioner who is re-employed on or after 1 June 2005 will no longer be able to combine the two periods of membership.

Ill-health enhancement is no longer awarded if a member retires for the second time due to permanent ill-health. The augmentation provisions are extended to enable an employing authority to award additional membership at any time during a member's career, not just on joining and leaving.

The Regulations also require the Committee to prepare, maintain and publish a funding strategy statement and to issue annual benefit statements to active and deferred benefit members. Some other minor technical amendments are also included.

The Local Government Pension Scheme (Civil Partnership) (Amendment) Regulations (Northern Ireland) 2006

These Regulations came into operation on 10 February 2006, but have effect from 5 December 2005. They amend the LGPS Regulations (Northern Ireland) 2002 and the LGPS (Early Termination of Employment) (Discretionary Compensation) Regulations (Northern Ireland) 2003 to give registered civil

partners an entitlement to a survivor's pension based on the member's post-5 April 1988 membership.

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.

Staff Development

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

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.

The first two successful applicants under the competency scheme were regraded during 2005/06.

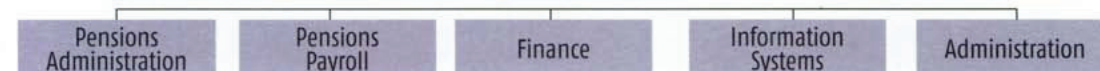
Organisational Structure



Secretary
Deane Morrice



Deputy Secretary
David Murphy



	2005/2006	2004/2005 (as restated)
	£'000	£'000
Fixed interest securities		
UK public sector	23,985	17,266
UK other	45,783	42,332
Overseas fixed interest	15,123	11,351
Fixed interest loans	40	153
	<u>84,931</u>	<u>71,102</u>
Equities		
UK quoted	928,210	524,371
UK unquoted	22,016	471
Overseas quoted	314,116	452,306
	<u>1,264,342</u>	<u>977,148</u>
Index-linked securities	<u>262,781</u>	<u>233,928</u>
Managed or unitised funds		
Unit trusts - property	35,526	25,223
Unit trusts - other	1,062,636	784,805
	<u>1,098,162</u>	<u>810,028</u>
UK properties	<u>213,671</u>	<u>206,334</u>
Short term deposits		
Sterling deposits	19,628	30,337
Foreign currency deposits	5,239	7,594
Forward currency contracts	(98)	(107)
	<u>24,769</u>	<u>37,824</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 totalling -£97,491 were in place in respect of the Fund's holdings in the US, Europe and Mexico at 31 March 2006. (2004/05 -£107,043).

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.

	2005/2006	2004/2005 (as restated)
7 Investment income	£'000	£'000
Fixed interest securities	4,118	3,232
Dividends from equities	28,501	27,062
Index-linked securities	5,432	6,639
Managed or unitised funds	1,605	1,269
Net rents from properties	11,309	8,842
Interest on deposits	2,197	1,557
Stock lending Income	77	138
Other	(1,678)	1,350
	<u>51,561</u>	<u>50,089</u>

Stock Lending

The Fund's securities lending programme continued during the year ended 31 March 2006. 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 2006, securities amounting to £51,050,131 were on loan against collateral of £52,692,349 (2004/05: Securities amounting to £87,232,655 were on loan against collateral of £88,739,336.85).

8 Investments

	Value at 01 04 2005 (as restated) £'000	Purchases at cost £'000	Sales proceeds £'000	Transfers/ Reclassifications £'000	Change in market value £'000	Value at 31 03 2006 £'000
Fixed interest securities	71,102	115,699	(104,327)	-	2,457	84,931
Equities	977,148	355,195	(339,344)	5,118	266,225	1,264,342
Index-linked securities	233,928	38,541	(16,193)	(8,073)	14,578	262,781
Managed or unitised funds	810,028	39,993	-	2,955	245,186	1,098,162
UK properties	206,334	24,729	(45,934)	-	28,542	213,671
AVC investments	4,839	1,237	(738)	-	272	5,610
	<u>2,303,379</u>	<u>575,394</u>	<u>(506,536)</u>	<u>-</u>	<u>557,260</u>	<u>2,929,497</u>
Short term deposits	37,824	-	(13,064)	-	9	24,769
	2,341,203	575,394	(519,600)	-	557,269	2,954,266

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.

Satisfaction Survey

A stakeholder satisfaction survey was carried out in early 2006. This year 1,677 questionnaires were issued to a random sample of employers, pensioners, deferred pensioners and members of the scheme. Despite a low response rate of only 28%, satisfaction levels ranged from 86% of deferred members to 98% of pensioners being satisfied or very satisfied with the service they received. Overall, the survey returned an average satisfaction rating of 93% (2004/2005 93%). The Committee was pleased with the results of the survey, which demonstrated that a high level of service continued to be maintained throughout 2005/06.

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.

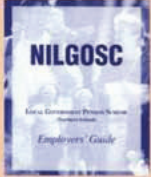
If you are not satisfied with the reply received, you may ask the Management Committee to reconsider the matter. For a complaint to be reconsidered, you must apply in writing, within six months of the previous decision, giving the reasons why you are dissatisfied. The Management Committee will reconsider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

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

Title	Content	Format/Availability
 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	Newsheet 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

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
- Funding Strategy Statement
- Management Committee
- Equality Scheme
- Freedom of Information
- Corporate Plan
- Our Complaints Procedure

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 2005/06 was tested by the internal auditor, McClure Watters, on a random sample basis.

The following is a summary of the standards achieved during 2005/06.

	2005/2006 £'000	2004/2005 £'000
3 Contributions receivable		
Employers		
normal	54,661	28,802
early retirement funding	5,063	3,358
special contributions	3,826	-
Employees		
normal	37,316	35,505
additional voluntary contributions	636	570
	<u>101,502</u>	<u>68,235</u>

The special contributions were paid by United Dairy Farmers (£0.5m) towards funding its deficit; by Laganside Corporation (£1.25m) towards the estimated liability at termination; and compensatory pension buyouts from a number of employing authorities under Regulation 130 of the Local Government Pension Scheme Regulations (Northern Ireland) 2002 (£2.076m)

4 Benefits payable

Pensions	73,106	66,206
Lump sum retiring allowances	18,392	15,098
Lump sum death benefits	2,199	1,547
	<u>93,697</u>	<u>82,851</u>

In addition, £3.835m of agency and compensation pensions were paid on an agency basis and recharged to employing authorities (2004/05 £3.644m).

5 Payments to and on account of leavers

Refund to members leaving service	309	330
Payment for members joining state scheme	134	216
Transfers to other schemes	5,462	6,522
	<u>5,905</u>	<u>7,068</u>

6 Administration expenses

Staff Costs	1,055	1,021
Agency Staff Costs	21	23
Office Overheads	212	308
Depreciation	181	136
Communication	78	84
Rental Income	(41)	-
Other Administration	76	58
Actuarial Fees	58	94
Internal Audit Fees	22	18
External Audit Fees	33	34
Legal and other professional fees	21	18
Medical fees	55	41
	<u>1,771</u>	<u>1,835</u>

NILGOSC occupies 67% of Templeton House, a property previously included within the Fund's investment properties. This property was reclassified as a fixed asset at 31 March 2005 and net rental income received in respect of the 33% of the property not occupied by NILGOSC is accounted for within administration expenses.

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.

2.8 Restatement of comparatives

A change in the method of valuing quoted securities was adopted during the year ended 31 March 2006 to bring the treatment of accrued income in line with recommended accounting practice. The SORP states that a 'clean' basis should be used for accounting for fixed interest stocks (that is, any accrued interest should be excluded from the market value) as it enables the capital and income elements of investment returns to be accounted for distinctly.

NILGOSC has adopted the 'clean' basis when accounting for all its quoted securities for the year ended 31 March 2006. An adjustment was made to the market values and investment income of quoted securities as at 31 March 2005 to restate the figures on a clean basis. This restatement is necessary to allow for a meaningful comparison between Investment Income figures for 2005/06 and 2004/05 and also to extract any accrued income from the opening market value of investments.

	At 31 March 2005	At 31 March 2005	Prior Year
	£'000	Restated £'000	Adjustment £'000
Fund Account			
Investment Income	47,208	50,089	2,881
Fixed Income Securities	2,087	3,232	1,145
Equities	26,486	27,062	576
Index Linked Securities	5,479	6,639	1,160
Change in Market Value of Investments	167,880	164,999	(2,881)
Fixed Income Securities	2,152	1,007	(1,145)
Equities	79,148	78,572	(576)
Index Linked Securities	5,960	4,800	(1,160)
Net Assets Statement			
Market Value of Investments	2,344,084	2,341,203	(2,881)
Other Investment Assets	2,006	4,887	2,881

Task	Standard	Within Standard %
Lump sum retirement payments	5 days	100%
Death grant payments	5 days	83%
Leaver options notifications	20 days	75%
Refund payments	5 days	99%
Provisional transfer out quotations	20 days	82%
Transfer out payments	5 days	70%
Inward transfer quotation requests	10 days	62%
Inward transfer credit notifications	10 days	92%
New entrants certificates	20 days	99%
Letters answered or acknowledged	10 days	100%
Issue members' annual report	by 31 October	100%
Issue members' annual benefit statement	by 31 October	100%
Benefit quotation requests	10 days	92%
Pensions paid each month	Last banking day of month	100%
P60s issued to all pensioners	By 31 May	100%

Cost per Member

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

Year ended 31 March	Total Members	Number of Staff	Members/ Staff	Admin Expenses £'000	Cost/Member £	Cost adjusted for Inflation £
1997	51,860	26	1,994	933	18.00	22.58
1998	52,934	26	2,036	993	18.75	22.74
1999	54,315	28	1,940	977	17.98	21.37
2000	55,983	28	2,000	993	17.74	20.54
2001	63,872	30	2,129	1,227	19.21	21.75
2002	66,643	33	2,019	1,288	19.32	21.59
2003	68,936	36	1,915	1,495	21.69	23.51
2004	71,399	40.5	1,763	1,685	23.60	24.93
2005	73,995	41	1,805	1,835	24.80	25.39
2006	74,688	43	1,737	1,771	23.71	23.71

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, 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

2006/07 – 2008/09 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 2005/06 Corporate Plan was completed during the year ended 31 March 2006. Those objectives not achieved have been carried forward into the 2006/07 Corporate Plan.

Review of Corporate Plan 2005/06

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

Business Objective	Operational Action	Completed	Progress
To pay member's pension benefits, refunds and transfers promptly	To pay monthly pensions promptly and accurately	✓	Achieved.
	To pay pension lump sums and grants promptly and accurately	✓	87.61% of payments made within 5 days.
	To pay refunds of contributions promptly and accurately	✓	693 payments made within average of 4.72 days.
	To pay transfer payments promptly and accurately	✓	191 payments made to date within 6.01 days on average.
To credit pension contributions and transfers received promptly and accurately	To collect monthly contributions and invest in scheme fund promptly	✓	Achieved.
	To reconcile contributions received and service credited annually	✓	All annual returns received and processed with the exception of 1 (queries outstanding).
	To credit service on receipt of transfers into the scheme promptly	✓	624 transfers received.
To provide members with information needed to make pension decisions promptly	To respond to member queries	✓	Achieved.
	To provide members leaving the scheme with option choices	✓	2287 option choices issued.
	To provide members with quotations and benefit statements	✓	Preserved members issued with benefits statements in July. Combined PBS issued to active members in 96% of employing authorities by 31 October 2005.
To ensure that all necessary action is taken on any change to scheme rules	Ensure that processes change to reflect rule changes	✓	Processes changed in advance of the 2 sets of regulation changes made during 05/06.
	To review the Committee's Abatement Policy	✓	Revised policy agreed by Committee on 22 March 2005.
To monitor service provided to employers through SLA and Outreach programme	Outreach programme to employers	✓	12 seminars/meetings with employers held during 05/06.
	Monitor Service Level Agreements	✓	72% SLA's returned.
To develop Members/ Pensioners Charter	Members/Pensioners Charter	✗	Members' Charter to be included in next reprint of Members' Guide (early 06/07). Pensioners notes updated with service standards.
To ensure that systems and procedures comply with new or recent non-pensions legislation	Freedom of Information requests	✓	8 requests received.
	Preparation for the Euro	✓	NILGOSC remains aware of developments in this area.
	Preparation for Whole of Government Accounting	✓	WGA not required for 04/05. Preparations underway for 05/06.

Notes To The Accounts

for the year ended 31 March 2006

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 in accordance with guidance issued by the Department of Finance and Personnel.

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 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) 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. Hence no accrual has been made for lump sum retiring allowances for members who retired on 31 March 2006.

2. Accounting policies

2.1 Valuation of investments

- Quoted investments are stated at the mid-market value of the official closing price, excluding any accrued income.
- 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 2006 by the independent chartered surveyors ATIS REAL Weatheralls (Northern Ireland properties – £30m, Great Britain properties – £183.671m) in accordance with the RICS Appraisal and Valuation Manual.
- 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.

Net Assets Statement

For The Year ended 31 March 2006

	Note	2005/2006 £'000	2004/2005 (as restated) £'000
Investments			
Fixed interest securities		84,931	71,102
Equities		1,264,342	977,148
Index-linked securities		262,781	233,928
Managed or unitised funds		1,098,162	810,028
UK properties		213,671	206,334
Short term deposits		24,769	37,824
AVC investment		5,610	4,839
	8	<u>2,954,266</u>	<u>2,341,203</u>
Other investment assets	9	<u>8,351</u>	<u>4,887</u>
		<u>2,962,617</u>	<u>2,346,090</u>
Other assets and liabilities	10	7,923	8,241
Net assets of the scheme at 31 March		<u>2,970,540</u>	<u>2,354,331</u>

The notes on pages 33 to 40 form part of these Financial Statements.

The financial statements on pages 31 to 40 were approved and signed by the Secretary on 22 August 2006

Deane Morrice
Secretary

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

Business Objective	Operational Action	Completed	Progress
To value the scheme assets and liabilities and set contribution rates accordingly	Undertake Actuarial valuation every 3 yrs		No action required in 05/06.
	To set employer contribution rates to ensure solvency of the fund	✓	All employers paying revised contribution rates from 1 April 05.
To invest scheme funds in accordance with the Statement of Investment Principles	To achieve investment performance in line with targets	✓	The return for the fiscal year to date is 25.90% vs target of 26.45%.
	To monitor and regulate investment management	✓	Achieved. BIAM terminated during 05/06.
	To maximise income from scheme assets	✓	Stock lending and Commission recapture producing additional income.
To understand and adopt good practice in Public Sector fund management	Draft and implement a Socially Responsible Investment Policy	✓	Committee has agreed 3 stage approach. Voting Agent appointed and voting commenced April 06.
	To ensure Committee members receive appropriate investment training	✓	Committee training workshop held in April 2005. Other training ongoing.
	Draft a Funding Strategy Statement	✓	Committee approved FSS in March 06.

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

Business Objective	Operational Action	Completed	Progress
To provide general scheme information to scheme employers, their employees, members and pensioners	Publish comprehensive scheme literature and guidance	✓	All members informed of 2005 changes by mailshot. Members guide updated. Further update planned for civil partnerships, tax simplification and regulation changes.
	Provide employee and employer seminars	✓	Normal programme of seminars ongoing.
	To publish the annual report for members and pensioners	✓	Issued to all members, deferreds and pensioners by 30 November 05.
	Redesign of the NILGOSC website	✗	Carried forward to 06/07
To provide members and employers with specific details of regulation changes	Promotion of capital cost options to Employers	✓	All employers informed of option to buy out capital costs in April 05.
	Communication of 2005 regulation changes	✓	All members informed of 2005 changes by mailshot. Members guide updated.
	Advising Employers to review discretionary policies in light of regulation changes	✓	Circular issued to Employers. Some revised policy statements received.

Business Objective	Operational Action	Completed	Progress
To provide advice on the pensions implication of other changes	Communication of tax limit changes	✓	Awaiting new regulations. Any available information has been communicated to members.
	Implications of local government reorganisation	✓	Awaiting final reorganisation decision.
To market the scheme to non-members	Develop a marketing strategy and set target membership	✓	In progress. Research being undertaken.
	Actively market the Scheme and respond to increase in membership		No action required 2005/6.

Aim 4: To influence the nature of the Local Government Pension Scheme

Business Objective	Operational Action	Completed	Progress
To respond to consultation on changes to the LGPS and contribute to consultee groups	To ensure that Employers are aware of potential scheme changes and canvas views	✓	NILGOSC responded to OPDM/DOE on the green paper on behalf of employers in March 2005.
	To respond to ODPM consultation exercises	✓	Responded when appropriate.
	To respond to Department of the Environment consultation exercises	✓	Responded when appropriate.
	To contribute to consultee groups eg NAPF, LGPC, OAG etc	✓	Responded when appropriate.

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

Business Objective	Operational Action	Completed	Progress
To maintain corporate governance arrangements appropriate for a public body in line with published good practice	Draft Standing Orders	✓	Approved by Committee in February 2006.
	Revise Purchasing Policy	✓	Revised policy agreed September 05.
	Response to External Auditor letters	✓	Letter received and responded to in October 05.
	Review of NILGOSC Internal Controls	✓	Internal Control statement prepared.
	Follow up on National Fraud Initiative results	✓	No overpayments uncollected.
To ensure NILGOSC executes its business cost effectively	Property Insurance Tender	✓	Completed.
	Property Adviser Tender	✓	La Salle selected as Property Manager.
	Pension Administration System Tender	✗	In progress but not completed by 31 March 2006.
	3rd party printing of payslips/cheques/p60s	✗	In progress.
	Performance measure reporting	✓	Monthly reporting in place.

Fund Account

For The Year ended 31 March 2006

	Note	2005/2006 £'000	2004/2005 (as restated) £'000
Contributions and Benefits			
Contributions received	3	101,502	68,235
Transfers from other Schemes		11,728	10,323
		<u>113,230</u>	<u>78,558</u>
Benefits payable	4	93,697	82,851
Leavers	5	5,905	7,068
Administration expenses	6	1,771	1,835
		<u>101,373</u>	<u>91,754</u>
Net additions (withdrawals) from dealings with members		<u>11,857</u>	<u>(13,196)</u>
Return on investments			
Investment Income	7	51,561	50,089
Change in market value of investments	8	557,269	164,999
Investment management expenses		(4,478)	(4,017)
Net return on investments		<u>604,352</u>	<u>211,071</u>
Net increase in the fund during the year		616,209	197,875
Opening net assets of the scheme		<u>2,354,331</u>	<u>2,156,456</u>
Closing net assets of the scheme		<u>2,970,540</u>	<u>2,354,331</u>

The risk priorities during 2005/2006 included:

- Dismissing a Global Equity Manager following a continuous period of under-performance;
- Further development of the off site IT processing facility in conjunction with the disaster recovery programme;
- Operating a career advancement programme to encourage staff retention;

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

The review included the following:

- an annual report from the Internal Auditor on the status of the internal control system;
- regular reviews by the Committee of periodic and annual reports which indicate financial performance against the forecast;
- setting targets to measure financial, investment and other performance by the Committee and its appointed investment managers;
- reviews by the Committee of quarterly and annual performance reports on the performance of the investment managers.
- an annual risk report from the managers responsible for the Committee's internal controls.
- FRAG 21 reports from the auditors of 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.

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

D W Morrice
Secretary

23 May 2006

Business Objective	Operational Action	Completed	Progress
To introduce IT developments and other procedures in order to improve efficiency	Implement Axis Member Self-Service	✗	Pending completion of tender exercise.
	Install the Employer Internet Interface	✗	Pending completion of tender exercise.
	Implementation of a Document Imaging System	✗	Pending completion of tender exercise.
	Changes to process of post opening/ task creation	✓	Stage 1 implemented.
	Implementation of a management information system	✓	ICS appointed. New system to be implemented summer 2006.
	Implementation of a revised email policy	✗	Outstanding.
	Completion of an Annual Return guide	✓	Completed.
	Implementing second stage of EDI project	✓	Completed.
	Installation of disaster recovery site	✗	In progress.
	Installation of LES 2 data link	✓	Completed.
	Installation of web monitoring software	✓	Completed.
	Development of intranet		No action required 2005/6.
Develop a Committee member website		No action required 2005/6.	

Aim 6: 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.

Business Objective	Operational Action	Completed	Progress
To undertake Equality Impact Assessments on existing and new policies	EQIA on scheme administration	✓	Completed.
	EQIA on purchasing	✗	Additional research required.
	EQIA on investment	✗	Additional research required.
	EQIA on personnel policies	✗	Initial collection of monitoring data completed. Analysis outstanding.
To ensure NILGOSC personnel policies promote equality of opportunity	To prepare S55 Report for Equality Commission	✓	Completed.
	To record annual recruitment monitoring information	✓	Completed January 2006.

ANNUAL EQUALITY STATEMENT

Year end 31 March 2006

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 2005/06 by its support from the most senior levels of the organisation.

The NILGOSC Corporate Plan for 2005/06 included objectives relating to Equality and Community Relations. The Committee approved the Plan in March 2005 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, 2003/04 and 2004/05 in the Annual Reports and Financial Statements in October 2002, 2003, 2004 and 2005. 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:

- 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. The results of the survey concluded that employers have made Scheme membership widely available to all staff. Differences in the statistics were identified in relation to age however, it was felt that no adverse impact existed in this grouping in relation to the administration of the Scheme. The survey findings have been contributed 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 is taken.

- NILGOSC have undertaken a feasibility study on the use of a lo-call telephone charging system. It concluded that such a system will not be introduced at this stage but should demand dictate otherwise the possibility will be reconsidered.

4. The impact assessment on the Investment of Contributions was issued for consultation in March 2004. A number of responses were received and have been considered. However completion of the assessment was deferred until the Statement of Investment Principles was reviewed and a separate Socially Responsible Investment Policy prepared. It is now planned to complete the assessment by March 2007.

Accounting Officer's Statement

Statement on Internal Control for the Financial Year Ended 31 March 2006

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.

The functions and responsibilities of the Committee are laid down in the Local Government Pension Scheme Regulations (Northern Ireland) 2002, as amended. The Committee prepares each year a Corporate Plan, which sets out its objectives over a three-year period together with the appropriate targets and key performance measures. Results against targets and key performance measures are reported quarterly to the Department of the Environment and discussed at the twice yearly meetings and are also reported in the Annual Report at the year end.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievements of the Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Northern Ireland Local Government Officers' Superannuation Committee for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Department of Finance & Personnel guidance.

3. Capacity to handle risk

A risk management process is used to identify the principal risks to the achievement of the Committee's objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

A risk management policy and strategy was first agreed in 2002, together with implementation of an action plan. Risk assessment is built into the annual Corporate Plan and a risk register is in place to record 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 and what action is required to minimise risk in future.

The risk register is reviewed annually by the senior managers and a report and revised risk register submitted to the Audit Committee for approval.

4. The risk and control framework

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

- An assessment of the organisation's appetite for risk.
- A determination of the risks 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 Committee's managers on risk issues.
- Publication of an Annual Statement by the Accounting Officer.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. Both the Secretary and the Deputy Secretary were in receipt of an essential car users allowance of £990.

Senior Management Pension Entitlements

Officers	Accrued Pensions at Age 65 & Related Lump Sum	Real Increase in pension & related Lump Sum at Age 60	CETV at 31/03/05	CETV at 31/03/06	Real Increase in CETV
	£	£	£	£	£
Deane Morrice Secretary	121,255	3,911	473,873	509,155	33,893
David Murphy Deputy Secretary	35,483	2,853	83,166	96,076	11,249
Andrew Yap Finance Manager	21,057	2,457	60,035	70,705	10,590
Lynda White Pensions Manager	65,017	3,452	237,532	265,938	23,883
Sharon Anderson Acting Payroll Manager	36,953	3,652	113,663	134,191	18,337

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.

Employees currently pay contributions of 6% (manual employees 5%) of pensionable earnings. Pensions increase annually in line with the Retail Price Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme will pay a lump sum benefit of two times pensionable pay and will also provide a service enhancement on computation of the spouse's pension. Any enhancement will depend on length of service and cannot exceed 10 years.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred into the NILGOSC scheme and for which NILGOSC has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

D W Morrice, Secretary

22 August 2006

5. The impact assessment on the Procurement of Goods and Services was issued for consultation in March 2004. A number of responses were received and in light of these the EQIA was issued specifically to all NILGOSC suppliers for consultation in January 2006. The results of this consultation proved inconclusive with only 8% of consultees responding. A final version of the impact assessment will now be issued. Also as a result of this EQIA all future and current suppliers are now required to complete a Fair Employment Declaration.

Address:

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Templeton House,
411 Holywood 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

6. The impact assessment on Personnel Policies is underway. A total of 43 policies were identified as relating to employment and an informal consultation document, which will be issued before the end of May 2006, recommends that 16 policies be subject to an EQIA. The EQIA will be progressed when this initial consultation exercise has been completed and the results considered.

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

7. 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.

8. NILGOSC have not received any complaints regarding equality issues in the 2005/06 period. One complaint was received in the 2003/04 period. This was in connection with the provision of death benefits to unmarried couples. The pension legislation did not provide the same death benefits to unmarried couples (either different or same sex couples) as married couples thus meaning the legislation adversely impacts this grouping. NILGOSC made a formal submission to the Department of the Environment regarding this issue.

9. NILGOSC did not receive any requests for information in alternative formats in the period 2005/06. Two requests for Thai and Braille formats were received 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:



Investment of the Fund

Background

The Regulations require the Committee to maintain a fund to provide for the payment of current and prospective benefits to members of the Scheme. In order to ensure that this objective is achieved, the Committee must determine a suitable investment strategy, which provides both a high return on investments and an acceptable level of risk.

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

The assets and liabilities of the Fund are valued every three years by the Scheme actuary. Following each valuation, the actuary certifies the employers' contribution rates to maintain the viability of the Fund. A statement by the scheme actuary for the year ended 31 March 2006 is included on pages 41 and 42.

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.

Remuneration Report

Remuneration Policy

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

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

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

Service Contracts

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

The officers covered by this report hold appointments which are open ended until they reach the normal retiring age of 65. The conditions of service including notice periods are those laid down by the NJC for Local Government Services and various local agreements.

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

Salary and Pension Entitlements

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

Senior Management Emoluments

Officers	2005/2006		2004/2005	
	Salary £	Benefits in Kind (to nearest £100) £	Salary £	Benefits in Kind (to nearest £100) £
Deane Morrice Secretary	70,012	990	71,713	954
David Murphy Deputy Secretary	55,478	990	57,574	954
Andrew Yap Finance Director	40,473	-	38,520	-
Lynda White Pensions Manager	40,473	-	40,892	-
Sharon Anderson Acting Payroll Manager	30,492	-	29,693	-

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

	2005/2006	2004/2005
Emolument Received	£10,662	£10,357

Salary

'Salary' consists of gross salary. In 2004/05, Salary also included a one-off payment in respect of a change in contractual terms and conditions.



Financial Statements

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.

During 2005/06, the Committee continued with its specialist structure of one UK equity manager, two global equity managers, one bond manager and one passive manager. The allocation of the fund between asset classes is determined by the Committee at its annual strategy meeting, normally held in June each year. The Committee's passive manager is responsible for maintaining the asset allocation within the agreed ranges.

At 31 March 2006, the Committee had the following fund managers in place to manage its equity and fixed interest portfolio:

UK Equities	Baillie Gifford
Global Equities	Wellington Management
Bonds	Aberdeen Asset Management
Passive Fund	Legal & General

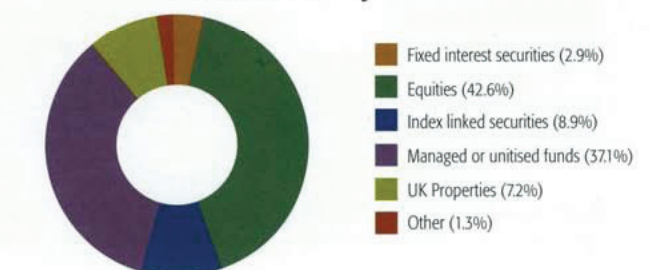
In October 2005, the Committee terminated its mandate with Bank of Ireland following a continuous period of underperformance. Funds were transferred to Legal & General on a temporary basis while the Committee began its search for a replacement manager. The Committee appointed its new global equity manager Alliance Bernstein in March 2006, with the asset transfer taking place in June 2006.

During 2005/06, the Committee made investment decisions regarding direct property holdings. The Committee sold its remaining woodland investment portfolio during the year. At 31 March 2006, the Committee held a portfolio of 19 properties throughout Northern Ireland and Great Britain. The Committee also increased its holding in the Local Authorities' Mutual Investment Trust Property Fund during 2005/06.

In managing the property portfolio in-house, the Committee was 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.

Fund Asset Allocation at 31 March 2006



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.

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

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.

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	8.0	
	1.7	FTSE All Stocks Gilts + 0.75%
	4.6	FTSE Over 5 Year Index Linked Gilts + 0.75%
	1.7	IBoxx Sterling Non-Gilts + 0.75%
Global Passive Manager	37.0	
	8.7	FTSE All Share Index
	6.2	FTSE All World North America Index
	6.8	FTSE All World Developed Europe ex UK
	4.2	FTSE All World Japan
	2.3	FTSE All World Developed Asia Pacific ex Japan
	1.6	S&P/IFC Investable Composite
	1.3	FTSE All Stocks Gilts
	3.9	FTSE Over 5 Year Index Linked Gilts
	0.6	IBoxx Sterling Non-Gilts
	1.4	3 Month LIBID
Property	10.0	IPD Long Term Funds £50-£250m Index + 1%
Cash	2.0	3 Month LIBID

The standard target and benchmark for each asset class of the fund as at 31 March 2006 is as above.

Asset allocation continues to be one of the key determinants in the investment decision making success. The Committee is particularly pleased with a number of investment decisions made during the year ended 31 March 2006:

- The decision to maintain a high equity weighting of close to 80% proved to be a key decision as equities significantly outperformed bonds during 2005/06.
- The decision to increase the overseas element of equity holdings was justified by the overseas market outperforming the UK equity market by almost 2%.
- The decision to retain the Scheme's passive manager as Legal & General outperformed the index and their benchmark for the third year in a row.

Market Report

UK equities had another strong year, returning 28.0%. As with 2004/05, they produced a positive return in each of the four quarters.

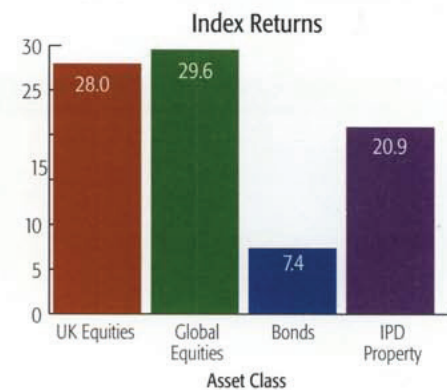
Overseas equity markets also had a good year, with returns varying in sterling terms between 23.1% for US equities to 61.2% in emerging market equities. Optimism returned to the Japanese market, which returned 48.2% after several years of underperformance.

Worldwide economic growth, especially in China and other Asian economies, continued to be strong, which

drove up prices of Oil and other commodities. This meant Oil & Gas and Mining stocks again had a very good year, whilst other sectors appeared relatively unaffected by the increasing costs of raw materials. Bond markets performed well again this year, with gilts returning 7.4% and index-linked gilts returning 8.4%. Both fixed and index-linked yields were exceptionally low in the early part of 2006, but have since increased slightly.

Property again produced strong returns, with the IPD index returning 20.9%.

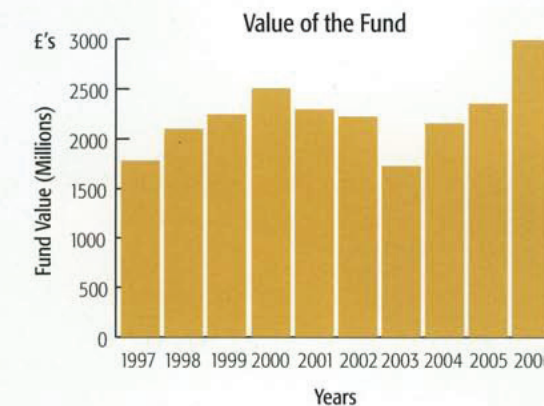
The graph below shows the investment return in each asset category for the twelve months to 31 March 2006.



Fund Value

The value of the Fund at the 31 March 2006 was £2,971m (2004/05 £2,354m), an increase of £616m (26%) on the previous year.

Market values can fluctuate widely over short periods of time, reflecting short-term changes in investment conditions. In contrast, the triennial valuation of the fund is concerned with the long-term and uses actuarial assumptions. The actuary's report is shown on pages 41 and 42.



Investment Performance

Over the year to 31 March 2006, the fund achieved an overall return on the total assets of 25.61%. In comparison, the fund benchmark including property, as set by the Committee, was 26.35%. This resulted in a net underperformance of 0.74%.

The Retail Price Index and National Average Earnings increased by 2.4% and 4.0% respectively during 2005/06.

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 2006 are as follows:

	Benchmark Return %	Fund Return %	Relative Return %
Baillie Gifford	30.02	32.00	1.98
Wellington	31.57	29.35	-2.22
Aberdeen	9.14	7.85	-1.28
Legal & General	27.57	27.59	0.02

Both the Committee's UK equity manager and passive manager outperformed their benchmarks during the year ended 31 March 2006. The UK equity manager Baillie Gifford outperformed its benchmark by 1.98%. Legal & General continued its history of outperformance, exceeding its benchmark by 0.02% for the third year running.

Following two consecutive periods of underperformance, the Committee terminated its mandate with its global equity manager, Bank of Ireland, in October 2005. The Committee was also disappointed with the performance of both its other global equity manager and bond manager as both fell short of their benchmark at 31 March 2006.

The Committee reviews the performance of its managers on a monthly and quarterly basis, with attention focused on the reasons for any underperformance. The Committee continues to closely monitor the performance of its global equity manager Wellington, but are satisfied that they remain an appropriate choice for the NILGOSC fund.

The return on property is measured by the Investment Property Databank (IPD) and for the year to 31 March 2006 NILGOSC outperformed its target by 0.5%. Annualised returns over a three year period show outperformance of 1.1%.

	Year Ended 31 March 2006	Annualised over 3 Year Period
Property Portfolio	21.5	17.8
IPD +1%	21.0	16.7
Relative Return	0.5	1.1

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 2006 on an annualised basis are:

	Three Years % p.a.	Five Years % p.a.
Return of Fund	19.92	5.63
Benchmark	21.74	6.51
Increase in RPI	2.72	2.52
Increase in National Average Earnings	4.41	3.82

Top 10 Equity Holdings at 31 March 2006

Company	Total Investment £'000's	% of Total Equity Portfolio
GlaxoSmithkline	62,456	4.94%
BP	56,187	4.45%
Royal Bank of Scotland	52,965	4.19%
BG Group	47,444	3.75%
Barclays	43,781	3.46%
Wolseley	33,387	2.64%
BHP Billiton	31,005	2.45%
Northern Rock	30,706	2.43%
Man Group	29,439	2.33%
Vodafone Group	26,420	2.09%